LOTO QUÉBEC

ANNUAL REPORT 2003

A DYNAMIC TEAM

A SUCCESS STORY

LOTO-QUÉBEC'S MISSION

Loto-Québec is a public corporation whose mission is to operate games of chance throughout Québec. Since its creation in 1969 to implement a public lottery system, the Corporation has significantly diversified its spheres of activity and established various subsidiaries to carry out new mandates entrusted to it by the Government.

Today, in addition to fulfilling its role as a State lottery, Loto-Québec operates three Casinos and provides related restaurant and lodging services. It also administers a video lottery system and network bingo activities. Furthermore, on the international front, the Corporation offers an increasingly diverse range of products and services developed within its different fields of expertise.

Loto-Québec returns the fruits of its activities to the Québec Government and the population at large. Moreover, in recognition of its social responsibilities, the organization is committed to good corporate citizenship and actively pursues a variety of concrete initiatives aimed at the prevention of compulsive gambling.

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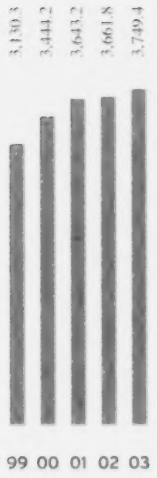
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

AS AT MARCH 31
(in thousands of dollars)

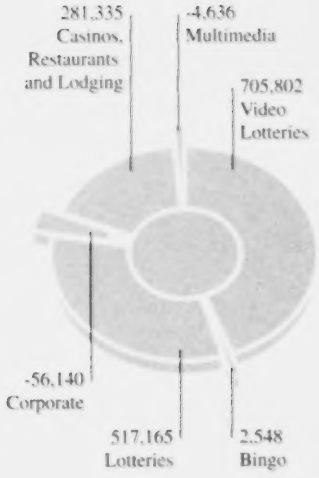
	2003	2002	% change
Total Revenue	3,749,410	3,661,786	2.4
Lotteries	1,834,423	1,793,297	2.3
Casinos	747,463	727,037	2.8
Restaurants	80,714	68,877	17.2
Lodging	12,501	3,251	284.5
Video lotteries	1,076,943	1,067,506	0.9
Bingo	37,605	39,647	-5.2
Multimedia	927	917	1.1
Prizes awarded – lotteries	953,225	926,308	2.9
Prizes awarded – bingo	17,036	17,962	-5.2
Gross profit	2,290,756	2,239,147	2.3
Net income	1,446,074	1,448,479	-0.2
Dividends	1,311,000	1,319,000	-0.6
Other amounts contributed to the Québec and Canadian Government	125,696	123,133	2.1
Total assets	989,831	869,058	13.9
Shareholder's equity	234,735	192,966	21.6

TOTAL REVENUES
(in millions of dollars)



NET INCOME
(in millions of dollars)

DISTRIBUTION OF CONSOLIDATED NET INCOME
(in thousands of dollars)



SOCIAL HIGHLIGHTS

AUTHORIZED PERSONNEL
LOTO-QUÉBEC AND SUBSIDIARIES
AS AT MARCH 31

Year	Management	Employees	Total
1999	866	4,715	5,581
2000	893	5,081	5,974
2001	871	4,948	5,819
2002	910	5,407	6,317
2003	940	5,787	6,727

DAYCARE CENTRES
FOR 2002

Les Minis 500 Sherbrooke Street W. Montréal	Les Casinours 327 Bridge Street Montréal	Au pays des anges 11 Roy Street Gatineau
62 places (day)	80 places (day)	80 places (day)

ACADEMIC GRANTS AND INTERNSHIPS
HANDICAPPED STUDENTS / COLLEGE AND UNIVERSITY LEVEL
AS AT MARCH 31

Year	Available	Filled
1999	10	6
2000	10	8
2001	12	11
2002	12	11
2003	12	–

CONTRIBUTIONS
AS AT MARCH 31
(in thousands of dollars)

	2003	2002	2001	2000	1999
Contributions to Assistance Funds					
Fonds d'aide à l'action communautaire autonome	14,575	14,531	14,643	13,623	14,278
Fonds d'aide à l'action humanitaire internationale	2,915	2,906	2,929	2,725	2,855
	17,490	17,437	17,572	16,348	17,133
Contributions to the Québec Government					
Ministère des Finances (SONACC) *(financing of various projects and activities aimed at revitalizing the horseracing industry)*	8,720	11,291	12,569	11,640	9,668
Ministère des Finances (SONACC) *(special contribution to increase funds for regular racing programs and special events)*	11,545	12,400	7,200		
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ) *(financing of various agricultural projects such as breeders' associations and farm shows)*	5,250	5,000	5,000	5,000	5,000
Ministère de la Santé et des Services sociaux *(financing of services for dependent seniors)*	30,000	30,000			
Ministère de la Santé et des Services sociaux *(financing of the assistance program for compulsive gamblers)*	17,000	18,000	3,000	3,000	
Ministère de la Sécurité publique *(financing of the assistance program for compulsive gamblers)*	3,000	2,000			
Ministère des Affaires municipales *(financing of various organizations, projects and activities in the sports and recreational sectors)*	300	400	500	600	800
Ministère de la Culture et des Communications *(subsidies awarded to cultural organizations, including Théâtre du Trident, the Orchestre symphonique de Québec and les Grands Ballets Canadiens)*					3,000
	75,815	79,091	28,269	20,240	18,468

DISTRIBUTION OF SPONSORSHIP INVESTMENTS
AS AT MARCH 31, 2003

SECTORS	% of Budget
Loto-Québec	58.90
Public Festivals	0.30
Amateur Sports	2.00
Outdoor	61.10
Cultural	19.00
Socio-Economic	17.60
Société des casinos du Québec	0.01
Casino de Montréal	30.76
Casino de Charlevoix	1.53
Casino du Lac-Leamy	8.80

EVOLUTION OF LOTO-QUÉBEC'S
SPONSORSHIP INVESTMENTS
1980-2003

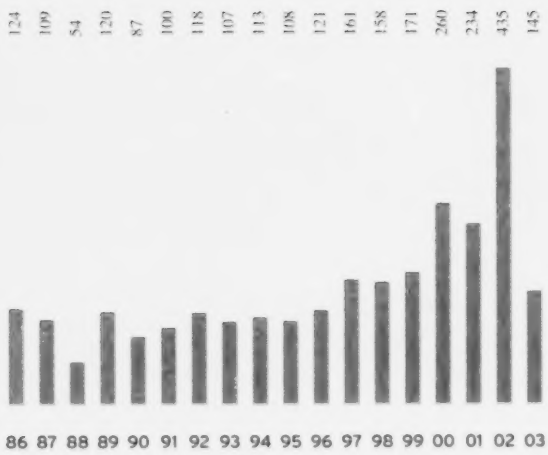
(in thousands of dollars)

EVOLUTION OF LOTO-QUÉBEC'S
SPONSORSHIP INVESTMENTS
1999-2003

(in thousands of dollars)

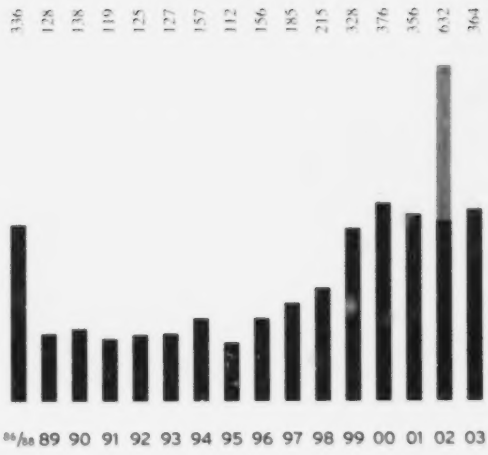
LOTO-QUÉBEC
COLLECTION ACQUISITIONS
1986-2003*

(in number)



LOTO-QUÉBEC
COLLECTION ACQUISITIONS
1986-2003*

(in thousands of dollars)



* *Since fiscal 1985-1986, Loto-Québec has invested $3.8 million in the acquisition of more than 2,800 works of art. This investment does not include the sums dedicated to integrating art into the architecture of new buildings, such as the Casinos. Moreover, the Corporation devotes considerable resources to certain special initiatives, such as its collaboration with the Musée national des beaux-arts du Québec for the acquisition of four major works by Jean-Paul Riopelle, including* L'Hommage à Rosa Luxembourg. *In all, Loto-Québec has contributed over $7 million to the province's visual arts milieu over the past 18 years.*

MESSAGE FROM THE PRESIDENT

I have had the distinct honour of sitting on Loto-Québec's Board of Directors since 1991, the year Mr. Michel Crête took over the reigns of the Corporation, which he led with great competence and vision for the next 10 years. The various functions that I have had the privilege of occupying within the senior ranks of the organization have helped provide me with a unique perspective on our evolution over the past 12 years. When considering the long road travelled by our public corporation in such a short period of time, it becomes clearly evident just how successful we have been, thanks to the collective efforts of our employees. That is why the theme of this Annual Report—*A dynamic team. A success story.*—is so highly appropriate.

CONTINUING TO GROW AND FLOURISH

During my first year as a Board member, Loto-Québec's total workforce numbered 600, the Corporation was active only in the lottery sector, and total earnings for the year equalled $1.3 billion, with net profit being in the order of $444 million. Twelve years later, the Corporation has diversified its spheres of activity considerably, its revenues and profits have tripled as compared to 1991, and its workforce has grown more than tenfold, now comprised of 6,800 employees.

As we all know, this impressive growth and development has occurred in conjunction with a number of new mandates entrusted to the Corporation by the Government—mandates which represent a host of welcome new challenges. First created to operate a State lottery system, Loto-Québec is now a parent to various subsidiaries involved in the operation of Casinos, restaurants and lodging, a video lottery system, network bingo, and the development of innovative new multimedia lottery games. With the support of a qualified team of managers and motivated employees, over the years, Loto-Québec has earned an enviable reputation worldwide and, thanks to its Casinos, has come to play a key role in Québec's tourism industry.

A WEALTH OF SUCCESS IN 2002-2003

In February 2002, the Québec Government outlined four specific directives intended to guide all of Loto-Québec's actions—maintain the level of net profits remitted each year, intensify measures to assist compulsive gamblers, increase the numbers of visitors to the Casinos originating from outside Québec, and stabilize overall game offerings in the province. I am pleased to report that we have fulfilled our obligations with respect to each one of these objectives, as demonstrated by our results and accomplishments during the past fiscal year.

For example, our net income remained stable during the year—$1.466 billion generated from total revenues of $3.749 billion, representing an increase of 2.4% over the previous year. All of our organization's key commercial sectors posted positive results over the past reporting period. The traditional lottery sector, for instance, increased its total sales by 2.3% to reach $1.834 billion. With sales of $1.077 billion, the video lottery sector's earnings also grew slightly by 0.9%. For their part, the Casinos did very well again this past year, with earnings up 2.8% over the previous year to $747.5 million.

From an operations standpoint, I am extremely pleased with two performance indicators in particular. First is the increase in sales of traditional lottery products, a core sector which has reached a certain degree of maturity and whose current success is due in large part to the introduction of various popular new products. Thanks to the implementation of a new computer platform as part of the Iris project, we will be able to accelerate these launches. The second source of good news concerns our Casinos, which saw their visitor traffic from Ontario and the United States grow by 24.1%. In accordance with the Government's expectations, this positive performance is attributable to the success of our promotional initiatives aimed at attracting tourists from outside the province to our gaming houses.

A DEDICATED TEAM

Without a doubt, the results of the year just ended could not have been possible to achieve without the competence, commitment and high degree of dedication exhibited by our employees and managers. Each and every member of our team, within their own individual functions and in their own specific ways, has contributed in a major fashion to the year's successes, and for that, I congratulate and sincerely thank one and all.

I am also delighted to note that the quality of our people's work is recognized on a regular basis outside the organization. One case in point is the coveted Five-Diamond rating earned for the third consecutive year by the Casino de Montréal's *Nuances* Restaurant and the Casino du Lac-Leamy's *Le Baccara*. Shared by only three other establishments in Canada, this distinction of excellence awarded by the CAA and AAA automobile associations is truly an honour for all the individuals concerned. I would also like to salute the outstanding efforts of the employees of the Hilton Lac-Leamy Hotel. Marking its first full year of operation, this establishment received dual recognition this past year from the Hilton Corporation, earning two of the most prestigious awards offered by the hotel chain—the *Guest Loyalty Award* and the *Connie Award*. All of us at Loto-Québec are extremely proud of the accomplishments of the Hilton Lac-Leamy team.

In addition to the employees of Loto-Québec and its subsidiaries, I must underline the excellent work of our growing family of commercial partners, now encompassing 128 wholesalers, 10,564 lottery retailers, 3,663 proprietors of establishments equipped with video lottery terminals, 147 bingo hall operators, and some 2,000 non-profit organizations with which we are closely associated. It is thanks to all of these partners as well that we are able to deliver our entertaining products to the public and remit our financial dividends to the Government.

FIRM SOCIAL COMMITMENT

Loto-Québec's success is not only measured in commercial terms and by the sums contributed to the Ministry of Finance. With its primary activities

related to games of chance, the Corporation's success must also be evaluated in terms of its actions fuelled by its social responsibility, and in this regard too, Loto-Québec is fulfilling its obligations with rigour.

The Corporation is acting upon its social commitment in three concrete ways—by contributing to the Government funds allocated to combating compulsive gambling, by providing much needed financial support to community organizations, and through its extensive sponsorship and donor program. In all, Loto-Québec contributed close to $70 million under these three banners during fiscal 2002-2003, clearly demonstrating the depth of its dedication to being a responsible corporate citizen.

With regards to our efforts to combat compulsive gambling, we implemented a series of measures during the past year that leave no doubt as to our determination to prevent obsessive gaming and promote responsible behaviour on the part of our clientele. Several of our actions were specifically targeted at the video lottery (VLT) sector, including a reduction in the number of units and sites equipped with them, the installation of new VLTs featuring various preventive mechanisms, as well as the permanent display of warning messages. Within all of our activity sectors, however, we have taken appropriate measures to sensitize players and assist those experiencing problems related to gaming. In fact, many of the actions we are taking to fight compulsive gambling are unparalleled anywhere in the world.

CONFIDENCE IN OUR HUMAN RESOURCES

Among the numerous realizations that marked the past fiscal year, I would like to highlight three in particular that underscore the high level of confidence we have in our personnel. The first of these is the creation of the Centre for Competency Development, located on Bridge Street in Montréal. This facility dedicated to continuous training and the preparation of new employees attests to our firm conviction that our personnel constitute our most precious asset. The second realization is the comprehensive assessment of our working environment conducted among our Casino employees and the action plans developed as a consequence. This exercise clearly illustrates the degree to which the Corporation is attentive to employee needs and concerns. Finally, the third initiative involves the new orientation of the Iris project which will see the complete redesign of our game and lottery management systems using the in-house expertise of our own skilled personnel.

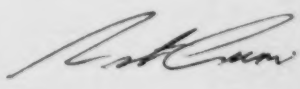
MEETING THE CHALLENGES OF TOMORROW

An organization like Loto-Québec must have its sights constantly set on the future, pro-actively anticipating the challenges awaiting it and developing effective strategies to meet these challenges. It is with that in mind that we prepared our detailed 2003-2006 Action Plan, submitted to the Government in autumn 2002 by our former President. This plan proposes a revamping of the game offerings in Québec and outlines the strategic directions we propose taking over the next few years.

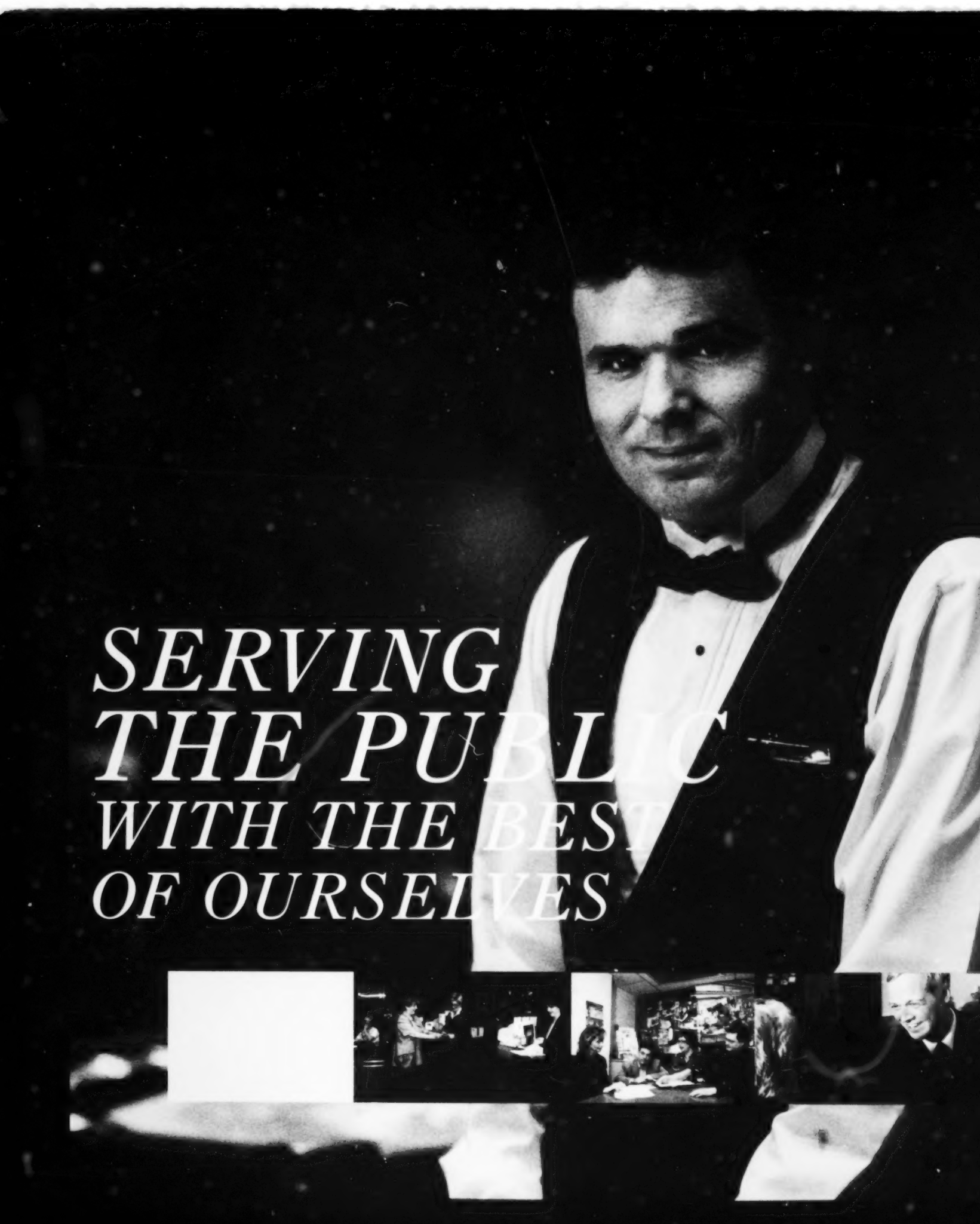
Whatever avenues are adopted for the reorganization and development of our activities, a number of specific challenges and requirements seem to me to demand our attention. Within the domestic market, for example, where lottery products have attained some degree of maturity, it is vital to remain attentive to changes in consumer behaviour and preferences, and to the points of sale they are drawn to. At the same time, our Casinos are facing greater and greater competition on the North American scene, with more establishments opening year after year. To overcome this challenge, we must continue to enhance the quality of our service and to focus on certain value-added initiatives such as the staging of top-flight shows.

Moreover, the effective use of new information technologies and tighter controls on our operating costs could translate into the increased productivity of our commercial activities. With regards to our efforts to prevent and treat compulsive gambling, we are as committed as ever to pursuing these endeavours and fulfilling our responsibilities of good corporate citizenship. Indeed, we are fully determined to meet the challenges of tomorrow as we have those of the past, fuelled by the competence, rigour, innovativeness and team spirit of our personnel at all levels of the organization.

In conclusion, I would like to take this opportunity to express my sincere gratitude to the members of Loto-Québec's Board of Directors for their continuous support and valuable counsel. I would also like to extend my thanks to Mr. Yvon Martin, who left the Board during the course of the past year. Finally, I join my colleagues on the Board in paying tribute to Mr. Gaétan Frigon, who was at the helm of the Corporation for 12 months. His energy, enthusiasm and keen communication skills have undeniably left a positive mark on our organization.



Acting Chairman, President
and Chief Executive Officer


SERVING
THE PUBLIC
WITH THE BEST
OF OURSELVES

LOTTERIES: A VITAL SECTOR IN PERPETUAL MOTION

At the heart of Loto-Québec's origins, lotteries remain the Corporation's greatest source of revenues today, and its expertise and innovativeness in this sector have earned it a worldwide reputation as an industry leader.

In fiscal 2002-2003, lottery sales totalled $1.834 billion, an increase of $41 million over the previous year. Given the slight decline in lottery earnings recorded during 2001-2002 which may have foreshadowed a pending slowdown in this sector, turning this potential trend around was a top priority for Loto-Québec this past fiscal year. Judging by the 2.3% growth in sales, the Corporation met the challenge with success.

The positive performance of the year just ended is far from being the product of chance, but rather, is the direct result of our employees hard work and dedication, creativity and expertise. Indeed, these results are the culmination of a year of sustained effort devoted to the development of effective strategies to revitalize lottery sales. This concerted commitment gave rise to the following successful initiatives over the course of 2002-2003:

-- the modification of *Super 7*'s bonus prize strategy so as to guarantee at least three $20 million jackpots during the year
-- the offering of *Banco* bonus prizes for the first time in the game's 12 years of existence
-- an increase in the frequency of *Banco Spécial* draws from a weekly to a daily basis
-- the launch of the 20th anniversary instant *Lotto 6/49* lottery
-- the offering of *Gagnant à vie!* on a permanent basis
-- the redesign of the marketing parameters for CD-ROM lotteries which saw the elimination of starter packs, the distribution of free trial CD-ROMs, the introduction of round tickets, and an increase in the commission rate for *Mini-Golf*
-- the makeover of the *La Poule aux Œufs d'OR* broadcast to mark its 10th season, and the launch of a $3 ticket in addition to the classic $2 ticket
-- an increase in the number of sports and championship games offered for Sports Betting
-- the introduction of a $100 Special Edition specifically aimed at group sales
-- the modification of kiosk management policy so as to enable the opening of additional points of sale at shopping malls
-- the establishment of an Extranet specially designed for wholesaler partners
-- the modification of the *Lotomatique* subscription form and implementation of deferred payments

While the fact that the lottery market had seemingly reached a certain level of maturity demanded the implementation of such a broad range of creative initiatives, the next fiscal year will most certainly be marked by further reviews of our strategies and marketing approaches in order to sustain the sector's positive momentum.

PRODUCTS ON THE RISE...PRODUCTS ON THE WANE

Certain games showed a significant growth in popularity during fiscal 2002-2003. Among these, *Super 7* takes the prize, having posted an exceptional year as a result of an effective bonus prize strategy and a draw for a record jackpot at the beginning of the year. It was also an excellent year for Special Editions thanks to the launch of *Méga Million$*, for *La Poule aux Œufs d'OR* with the introduction of a new $3 ticket, and for Sports Betting which offered a greater variety of events to wager on.

Some products, on the other hand, experienced a marked slowdown over the course of the past fiscal year. *Lotto 6/49* was one of these, continuing a trend that started several years ago, and a number of new ideas are currently being studied to reanimate this product. Sales of instant lotteries also declined compared to the previous year, with televised instant games losing the greatest ground. A series of measures are already in place to rectify this situation. The only other pronounced downturn was quite predictable. Offered since 1970, the *Mini* has fallen noticeably victim to changing consumer preferences. In fact, Loto-Québec's *Mini* is the only lottery in its category still on sale in North America.

RIGOROUS COST CONTROLS

As in years past, the lottery sector exercised rigorous controls over its operating costs this past fiscal year, in part, by developing effective new ways of doing things. Significant cost savings were generated by a varied range of initiatives such as the simultaneous printing of several sections while producing instant tickets, as well as the replacement of the metallic cardboard surface with less costly paper stock for certain games.

STRENGTHENED RELATIONS WITH OUR PARTNERS

For Loto-Québec's wholesalers, the establishment of a new Extranet site serves as an effective response to a number of their business needs. For example, the site allows them to readily consult their sales and financial reports and be more familiar with new products and special promotions. In addition, the site provides timely access to performance information, the Corporation's various publications, to daily messages, draw results and upcoming jackpots. Using the Extranet, wholesalers can also now place their ticket orders on-line. In short, the network can be used as a valuable vehicle for improving their overall success.

With respect to the retailer network, the Corporation proceeded with a thorough review and updating of its policies and practices in order to assure its ability to maintain the appreciation of its clientele. In line with this effort, the Sales Training Department is now registered with Emploi Québec, thus allowing some retailers to take advantage of a tax deduction for their employee training.

The past fiscal year saw the adoption of a new approach aimed at furthering sales among major accounts. This new approach promotes direct contact with managers in order to develop specific strategies with them that are adapted to the particular needs of the customers they serve.

The Corporation also reinforced its partnerships with non-profit organizations (NPOs) operating sales kiosks during the year just ended. Pamphlets are now available explaining the respective missions of participating NPOs. Funded entirely by Loto-Québec, this initiative is highly appreciated by the organizations concerned. Moreover, following a revision of corporate policy, a greater number of NPOs can now reap the financial benefits of managing a sales kiosk.

Finally, a number of changes were made over the past year aimed at better serving Loto-Québec's ultimate clientele—consumers at large. For one thing, the formula for the holding of draws at the end of the evening was updated and their broadcast time advanced. In addition, new formats were designed for the result banners to improve their impact while making them easier to consult. As well, draw results are now being published in several of the province's regional weeklies.

COMMISSIONS TO RETAILERS

(in millions of dollars)

1998-1999	114.0
1999-2000	121.3
2000-2001	124.7
2001-2002	123.2
2002-2003	125.9

LOTTERIES

AS AT MARCH 31
(in thousands of dollars)

	Sales			Prizes Awarded		
	2003	2002	% change	2003	2002	% change
ONLINE LOTTERIES						
Lotto 6/49	379,224	421,880	-10.1%	182,033	202,511	-10.1%
Super 7	335,019	223,290	50.0%	187,212	120,235	55.7%
Québec 49	62,312	64,616	-3.6%	29,287	30,370	-3.6%
Extra	153,252	147,676	3.8%	68,428	65,939	3.8%
Banco	121,577	124,591	-2.4%	59,846	61,291	-2.4%
La Quotidienne	27,641	27,814	-0.6%	12,439	12,516	-0.6%
Subtotal	1,079,025	1,009,867	6.8%	539,245	492,862	9.4%
INSTANT LOTTERIES						
Regular and entertainment-type	560,600	590,311	-5.0%	307,887	323,874	-4.9%
Televised	22,790	51,294	-55.6%	12,784	27,932	-54.2%
Multimedia	12,620	9,370	34.7%	6,625	4,919	34.7%
Subtotal	596,010	650,975	-8.4%	327,296	356,725	-8.2%
TRADITIONAL LOTTERIES						
La Mini	13,511	14,240	-5.1%	5,945	6,267	-5.1%
Tele-active	42,960	37,792	13.7%	22,936	23,610	-2.9%
Special Editions	56,377	37,886	48.8%	31,530	21,346	47.7%
Subtotal	112,848	89,918	25.5%	60,411	51,223	17.9%
SPORTS BETTING	46,540	42,537	9.4%	26,273	25,498	3.0%
Total	1,834,423	1,793,297	2.3%	953,225	926,308	2.9%

FINANCIAL SUPPORT TO NPOS

	No. of NPOs	In Millions of Dollars
1998-1999	755	10.173
1999-2000	917	10.067
2000-2001	1,058	10.347
2001-2002	1,174	10.179
2002-2003	1,282	10.469

DISTRIBUTION OF RETAILERS AND TERMINALS BY REGION

AS AT MARCH 31, 2003

	No. of Retailers	%	No. of Terminals	%
Montréal and Northwestern Québec	3,494	33.1	2,814	33.9
Montréal and Southeastern Québec	3,642	34.5	2,918	35.1
Québec City and Eastern Québec	3,428	32.4	2,573	31.0
Total	10,564	100.0	8,305	100.0

DISTRIBUTION OF RETAILERS BY BUSINESS CATEGORY

AS AT MARCH 31, 2003

	Number	%
Tobacco and convenience stores	5,045	47.8
Food	2,056	19.4
Financial institutions	526	5.0
Other service businesses	1,596	15.1
Pharmacies	822	7.8
Miscellaneous	325	3.1
Itinerant vendors	63	0.6
Kiosks	131	1.2
Total	10,564	100.0

NEW BROADCAST AGREEMENTS

In June 2002, Québec's French-language general television networks were invited to respond to a call for tenders to air Loto-Québec's new televised products. Subsequently, in January 2003, *Célébration 2003* hit the TQS airwaves after several years of exclusivity with TVA. TQS also broadcast *Chasse aux Trésors, nouvelle génération*, recorded at the Capitole de Québec. For its part, Loto-Québec's longstanding partner TVA was awarded the tender for the production and broadcast of end-of-the-evening draws for a period of three years.

PROMOTING RESPONSIBLE GAMING

The lottery sector's contribution to the promotion of responsible gaming was of particular importance during the past fiscal year. A full 20% of all commercial airtime and space was dedicated to publicizing preventive messages and the 1 866 SOS-JEUX help line. "Gambling should remain a game" and "Lotteries are restricted to individuals 18 and over" are examples of the messages conveyed. Indeed, fiscal 2002-2003 saw efforts considerably stepped up to ensure that the law prohibiting the sale of lotteries to minors was being respected. For example, a new sensitization program was targeted at retailers to inform them of their obligations.

ADVANCING THE CORPORATE IDENTIFICATION PROGRAM

The Corporation's identification program continued to unfold this past fiscal year with the installation of 1,600 illuminated signs bearing the new Loto-Québec logo. In order to further enhance the Corporation's visibility, several kiosks were decorated in the colours of events being sponsored. Finally, an informative pamphlet explaining how Loto-Québec's revenues are used was put into mass circulation in a specially designed display unit.

THE CASINOS: CHOICE ATTRACTIONS THAT CONTINUE TO FLOURISH

Thanks to the high level of competence, dynamism and dedication of its employees, the Société des casinos du Québec (SCQ) was successful in achieving its principal financial objectives this past fiscal year. Administering the activities of the Casino de Montréal, the Casino du Lac-Leamy, and the Casino de Charlevoix, the subsidiary posted total revenues of $747.5 million, representing an increase of 2.8% over the previous year.

The sharp increase in the numbers of visitors originating from Ontario and the United States was among the key factors influencing the SCQ's positive performance during 2002-2003. In fact, the concerted promotional efforts within these two markets resulted in a 24.1% rise in patronage from Ontario and the U.S. Moreover, a new International Development Department was created to exploit the full potential of external markets. The primary mandate of this new group is to implement effective strategies which will augment high stakes traffic originating from outside Québec at the Casinos.

The SCQ's *Casino Privilèges* recognition program reached 505,000 members in fiscal 2002-2003, up 57% as compared to the previous reporting period. The number of visitors arriving in group bus tours also rose during the year, up a combined 20.7% at the three gaming houses.

Together, the SCQ's three Casinos employ some 4,400 individuals working in more than 115 different types of jobs and speaking 27 different languages. During the year just ended, considerable energy was devoted at each Casino to the implementation of concrete action plans developed after extensive consultations with employees focused on the working environment. In addition, an important collective agreement with the croupiers at the Casino de Montréal was concluded in early 2003.

In view of the casinos' tremendous popularity as prime attractions, the Société des casinos du Québec represents a major economic force in the province. In fact, this Loto-Québec subsidiary alone acquired close to $91 million worth of goods and services over the course of the past fiscal year, not including the various construction and renovation contracts awarded.

Committed to its social role and responsibilities to the community, the SCQ regularly sponsors major local, regional and international events. Among those supported during the year just ended were the Bal de Neige, the Gatineau Hot-Air Balloon Festival, the Canadian Tulip Festival, the Charlevoix International Rally, Rêves d'automne, the Festival international du Domaine Forget, the Air Canada Grand Prix, and the Montréal Molson Indy.

THE CASINO DE MONTRÉAL

The Casino de Montréal's annual revenues were up by 1% as at March 31, 2003, reaching a total of $491.8 million. Indeed, fiscal 2002-2003 was a particularly active year for the 2,756 employees of the Montréal gaming house, which played host to close to 6.6 million visitors. On October 11, 2002, the day after celebrating its 9th anniversary, the Casino welcomed its 50 millionth visitor.

As one of the city's choice entertainment venues, the Cabaret du Casino de Montréal marked its 6th consecutive year of staging the most dazzling shows. During the past fiscal year, the Cabaret presented 14 high quality productions and a total of 450 performances (252 evening shows and 198 matinees) before 185,679 enthusiastic audience members.

AS AT MARCH 31	Revenue ($M)			Visits			Group Bus Tours		
	2003	2002	Change (%)	2003	2002	Change (%)	2003	2002	Change (%)
Casino de Montréal	491.8	486.8	1.0%	6,551,800	6,755,000	-3.0%	4,338	3,930	10.4%
Casino de Charlevoix	46.8	43.2	8.3%	1,120,300	1,127,000	-0.6%	3,054	2,400	27.3%
Casino du Lac-Leamy	208.9	197.0	6.0%	3,398,600	3,340,450	1.7%	3,113	2,370	31.4%

OUR THREE CASINOS EMPLOY SOME 4,400 INDIVIDUALS WHO OCCUPY 115 DIFFERENT POSITIONS AND SPEAK 27 DIFFERENT LANGUAGES.

THE CASINO DU LAC-LEAMY

Playing host to close to 3.4 million patrons in fiscal 2002-2003, the Casino du Lac-Leamy also enjoyed increased earnings during the past year, up by 6% to $208.9 million. Moreover, a brand-new 1,140-space parking facility was constructed to better serve its clientele. In all, 3,800 parking spaces are now available for visitors to the Casino and Théâtre du Casino audience members, as well as for people attending the Conference Centre and guests of the Hilton Lac-Leamy Hotel.

After a decision to extend its business hours in June 2002, the Casino is now open daily from 9:00 A.M. to 4:00 A.M. This has resulted in the creation of some 100 new jobs, and 300 or so new employees have joined the team. As well, a new collective agreement was concluded early in the year with the Casino's surveillance technicians, members of the Canadian Union of Public Employees.

Finally, the Théâtre du Casino marked its first anniversary on September 21, 2002. Since its inception, the Théâtre has presented 38 exceptional productions (28 evening shows and 10 matinees) and a total of 232 performances before 130,000 audience members.

THE CASINO DE CHARLEVOIX

The Casino de Charlevoix marked its best year ever in fiscal 2002-2003, playing host to more than 1.1 million visitors and posting revenues of $46.8 million, up 8.3% from the previous year. The affiliation between the Casino and the Fairmont Le Manoir Richelieu proved particularly productive during the year just ended, with the Hotel reporting record occupancy rates fuelled by a 27% increase in the number of guests visiting from the U.S. The Casino, too, saw its traffic from outside Québec rise by 16.2%.

In order to better serve their respective clientele, the Fairmont Le Manoir Richelieu and the Casino de Charlevoix started work on a new 9-hole golf course adjacent to the existing 18-hole course. Golf enthusiasts will be able to enjoy this new course as of the 2003 summer season.

In recognition of their excellence, the Fairmont Le Manoir Richelieu and Casino de Charlevoix were awarded a number of distinctions during the past fiscal year:

- a Four-Diamond rating awarded to Le Charlevoix Restaurant by the CAA/AAA; fewer than 4% of the 11,000 restaurants evaluated by the two automobile associations actually obtain this distinction
- a Three-Star rating awarded to the Fairmont Le Manoir Richelieu by the *Mobil Travel Guide* in recognition of its outstanding service
- regional Grands Prix du tourisme québécois 2003 awards presented to the Casino de Charlevoix, Fairmont Le Manoir Richelieu and Le Charlevoix Restaurant in the 1,000 Visitors Plus Tourist Attraction, 150 Room Plus Lodging and Gastronomy categories respectively

All of these distinctive honours testify to the high level of professionalism demonstrated by the personnel at these establishments and to their firm commitment to providing the utmost in customer service.

RESTO-CASINO: SETTING RECORDS AND EARNING DISTINCTION

Resto-Casino is the Loto-Québec subsidiary charged with managing all bars and restaurants at the Corporation's three Casinos, as well as the operation of the Hilton Lac-Leamy Hotel. Fiscal 2002-2003 marking the hotel's first full year of operation, Resto-Casino posted a considerable increase in revenues as compared to the previous year—up from $72.1 million in 2001-2002 to $93.2 million during the year just ended.

The subsidiary employs a total of 1,600 people working in 70 different job categories. Once again this past year, Resto-Casino personnel exemplified the highest standards of quality and customer service as they went about their business of preparing five million meals and catering to the needs of some 15 million customers and guests.

The economic spin-offs of the subsidiary's activities are not related to employment alone. In fact, Resto-Casino is, itself, a major customer for a host of Québec companies operating in the agro-food sector. For example, it is one of the largest buyers of pork and shrimp in the province. In all, the subsidiary purchased close to $48 million worth of products from Québec suppliers during the past fiscal year.

The high degree of skill and professionalism of Resto-Casino employees was formally recognized in a number of different ways over the course of the year just ended. Veritable havens of fine gastronomy, the Casino du Lac-Leamy's *Le Baccara* and the Casino de Montréal's *Nuances* Restaurants were each awarded the prestigious Five-Diamond rating by the CAA and AAA automobile associations for the third consecutive year. Among the most coveted of distinctions within the restaurant industry, the Five-Diamond rating is synonymous with the highest level of gourmet fare. In Canada, only five dining rooms have earned this classification, including three in Québec. Moreover, the quality of the *Nuances* Restaurant's wine list was recognized by *Wine Spectator* with the Best Award of Excellence 2002.

For its part, the Hilton Lac-Leamy Hotel was honoured with the two most esteemed awards presented by the Hilton Corporation in 2002—the Guest Loyalty Award and the Connie Award—respectively recognizing outstanding customer satisfaction and the best performance of the hotel chain in North America. Presented at the end of the hotel's first full year of operation, these two marks of distinction testify to the excellent job accomplished by the entire Hilton Lac-Leamy team.

Finally, on the labour front, the past fiscal year also marked the conclusion of the first collective agreement with the Resto-Casino employees serving the Hilton Lac-Leamy.

VIDEO LOTTERIES: COMMITTED TO STABILITY AND PREVENTION

Quality, integrity and security are the driving forces behind all the efforts of the 40 employees of the Société des loteries vidéo du Québec (SLVQ), the Loto-Québec subsidiary responsible for administering the network of video lottery terminals (VLTs) installed at licensed establishments.

The SLVQ's total revenues remained stable in 2002-2003, reaching $1.077 billion by the end of the fiscal year and generating net income of $705.8 million and $280 million in commissions to operators.

During the past two fiscal years, the number of VLTs in operation was reduced from 15,300 to some 14,300. The 14,301 VLTs in operation on March 31, 2003 were distributed at 3,663 sites, all licensed for that purpose by the Régie des alcools, des courses et des jeux.

VLT REPLACEMENT

In January 2003, the SLVQ embarked on the process of replacing its inventory of VLTs comprised of units dating back to 1993. This project involves a total cost of $200 million, including the acquisition of state-of-the-art equipment and transportation expenses. The preparation work involved in the implementation of this new network has demanded a high level of professionalism and dedication from all SLVQ personnel, with considerable time and energy being invested in planning this ambitious project down to the minutest detail.

The new generation of VLTs is equipped with a variety of different devices and mechanisms aimed at promoting responsible gaming, including:

-- a clock permanently displayed on all game screens
-- the requirement for players to set a time limit for each session played (15, 30, 45 or 60 minutes)
-- a display of credits in dollars
-- a special module explaining the concept of chance integrated into each unit and able to be consulted at any time
-- a black rather than chrome casing designed to reduce the "flashy" look of the unit
-- a warning and mention of the 1 866 SOS-JEUX hotline in the upper portion of each unit, along with the unit's payout rate indicated in the lower portion
-- a reduction in the number of games offered—from 23 to 10—with a maximum of five per type of VLT
-- the inability for players to stop the rollers by touching the screen
-- a reduction in the maximum amount to be played from $100 to $60
-- the automatic deactivation of units outside of authorized business hours

IMPLEMENTATION OF SITE CONTROLLERS

The project to replace the network of VLTs initiated during the past fiscal year coincides with the implementation of new site controllers. These devices allow for the centralization on the same terminal of several administrative procedures related to the operation of the units (validation of reimbursement coupons, weekly billing, reporting, etc.). Equipped with a controlled access bar code reader, these controllers will serve as additional tools to protect operators against fraud. At the same time, they will enable the SLVQ to significantly improve the range of services offered to its network of licensed establishments.

CONTINUOUS ON-LINE TRAINING

The replacement of VLTs has also led to a complete redesign of the training offered by the SLVQ to its commercial partners. As part of this initiative, a permanent on-line training system has been developed that is accessible at all times throughout Québec. Fully interactive, the system uses the latest Internet technologies and offers standardized and continuous training conveying the most up-to-date material. As such, it assures the SVLQ and its business partners that they can rely on the quickest and most effective transmission of crucial information.

SENSITIZATION SESSION ABOUT CHANCE AND COMPULSIVE GAMBLING

Since the summer of 2002, all operators of sites equipped with VLTs have had the opportunity to attend information sessions focused on the concept of chance and on compulsive gambling. The SLVQ began offering these services during the previous fiscal year in collaboration with the Québec Centre of Excellence for the Prevention and Treatment of Compulsive Gambling affiliated with Laval University. A total of 4,200 individuals have taken part in these training sessions designed to provide operators and their employees with a better understanding of the problems associated with compulsive gambling. The entire SLVQ team and all regional representatives have also taken advantage of this specialized training.

PAYOUT RATES

The average payout rate offered by VLTs is 92%. This signifies that the payout rate for a dollar wagered is on average 92¢. This average is attained after millions of games played and is based on the random nature and multiplicity of the games, as well as the variety of prizes and possible combinations. The randomness of the games and payout rate of the units are carefully verified and certified by the Service des appareils de jeu (SAJ), a division of the Ministry of Public Security's Laboratory of Forensic Science and Legal Medicine.

VIDEO LOTTERIES

AS AT MARCH 31, 2003

Number of units	14,301
Number of sites	3,663
Number of units per site (average)	3.9
Number of units per 1,000 residents	2

REVENUES AND COMMISSIONS

AS AT MARCH 31, 2003
(in millions of dollars)

Net income	1,077
Net profit	706
Commissions to retailers	280

DISTRIBUTION OF SITES AND UNITS PER REGION

AS AT MARCH 31, 2003

	VLTs	Sites
Laval – Lanaudière – Laurentians	2,197	527
Montréal	4,115	895
Québec City – Chaudière-Appalaches	1,709	474
Mauricie – Bois-Francs	1,037	292
Estrie	927	256
Saguenay – Lac-Saint-Jean – North Shore	799	240
Lower Saint Lauwrence – Gaspésie – Îles-de-la-Madeleine	519	176
Abitibi-Témiscamingue – Northern Québec	472	134
Montérégie	1,747	468
Outaouais	779	201
Total	14,301	3,663

THE BINGO SECTOR: BOOSTING ITS SUPPORT OF NPOS

Loto-Québec's Société des bingos du Québec (SBQ) subsidiary is mandated to market network bingo games and, in the process, provide financial support to non-profit organizations (NPOs) that hold a bingo license and participate in the SBQ's network.

Since its creation in 1997, the SBQ has been committed to contributing at least 50% of its profits to participating NPOs holding a bingo license. In actual fact, however, the subsidiary has been remitting an average of 70% of its net income to these organizations. Moreover, since April 2002, all the SBQ's net profits are handed over to participating NPOs.

At the end of the fiscal year just ended, the SBQ posted total earnings of $37.6 million, representing a decline of 5% from the $39.6 million recorded the previous year. The subsidiary generated operating income during the year of $11.9 million, down 12% as compared to 2001-2002. Of this amount, close to $10.1 million was contributed to 686 NPOs participating in its network, and another $840,000 was distributed among 407 NPOs holding bingo licenses outside of the SBQ's network. With payments to these organizations in the order of $10.9 million, this additional support represents a further contribution of $2.1 million, compared to the total of $8.8 million issued last year.

The decline in the SBQ's revenue during the year just ended is directly related to the reduction in the number of bingo sessions being held in Québec, as well as to the diminished traffic at bingo halls in general. Numerous NPOs have suspended their bingo activities altogether, and a number of halls have been shut down. The SBQ's lower earnings also reflect a phenomenon that has been prevalent elsewhere in the country for several years—the marked dwindling of interest in this classic form of recreation.

Currently, 136 of the 460 bingo halls in Québec belong to the SBQ's network, and the principal games offered by the subsidiary are *Le Grand Tour* in the evenings, *Le Petit Tour* during the afternoons, and *Éclair*, an optional *Keno*-type game.

IMPROVING THE GAME TO SUSTAIN CONSUMER INTEREST

The implementation of a new computer platform for network bingo was one of the key accomplishments of the past fiscal year. Designed to respond to the challenges presently confronting the industry, the new system allows for progressive regional prizes. At the same time, the platform now enables the use of pre-printed bingo strips offering players an additional card at no extra charge. The introduction of this value-added strip has not only helped increase customer satisfaction with network bingo, but has also contributed to maintaining their average level of play.

MARKETING ACTIVITIES BEARING FRUIT

A series of marketing initiatives have been carried out aimed at stimulating revenues, maintaining consumer interest in SBQ products and attracting a new clientele to participating bingo halls. Among these, the *Bingo Vegas* event at the Hilton Lac-Leamy Hotel in Gatineau attracted 52 contestants to a spectacular evening of bingo featuring prizes of up to $100,000 to be won. Being held for the second consecutive year, participants in this event were selected at random from among network bingo players all across Québec.

The past fiscal year also marked the fifth edition of the summer touring *Bingo Show*, which once again provided bingo enthusiasts with a festive opportunity to enjoy themselves while vying for interesting cash prizes. This popular event resulted in a significant increase in attendance and sales at participating halls. Furthermore, a variety of other activities served to enhance the overall visibility of network bingo, most notably *Bingo Les 2 Tours*, presented by the SBQ in collaboration with *Le Journal de Montréal* and *Le Journal de Québec*.

PROVIDING QUALITY SERVICE TO A DIVERSE CLIENTELE

The courtesy and attention paid to bingo enthusiasts, whether over the phone or during actual games at bingo halls, combined with the various communication tools made available to the SBQ's non-profit organizations and hall operators are all examples of the subsidiary's dedication to delivering the highest standards of quality customer service. In fact, customer satisfaction vis-à-vis the SBQ reached a rate of over 95%.

During the past fiscal year, the SBQ continued to lend an attentive ear to the needs and concerns of the industry. Measures required to improve bingo hall management and the range of games offered in view of revitalizing the industry are the subject of intensive discussions involving the key stakeholders in the sector. The SBQ has been an active participant in these discussions and has proposed a number of new strategies for the benefit of all licensed NPOs.

A SMALL TEAM WITH A FIRM COMMITMENT TO SERVING THE BINGO INDUSTRY

In order to accomplish its mandate to effectively market network bingo, the SBQ relies upon the skills and expertise of a small team of some 20 employees working in three distinct sectors—finance and administration, information technologies, and sales and marketing. The subsidiary's success has been built, in large part, on the solid partnerships this team has been able to develop with licensed non-profit organizations and bingo hall operators.

In just a little over five years, thanks to their initiative and creativity, the SBQ's dedicated team has earned an outstanding reputation within the industry that has allowed the subsidiary to fulfill its mission and face the challenges of today and tomorrow with confidence.

SALES BY REGION

APRIL 1, 2002 – MARCH 31, 2003

REGION	Participating Halls	Events	Participating NPOs*	Net Sales	Commissions Paid to Operators	Amounts Distributed to Participating NPOs		
						Sums Paid in Accordance with the Rules	Additional $ up to 100% of the SBQ's Net Income	
				$	$	$	$	$
Lower Saint Lauwrence	5	800	25	412,125	21,257	82,257	27,925	
Québec City	15	4,063	81	4,276,832	242,107	854,630	289,779	
Chaudière-Appalaches	7	1,059	25	944,810	49,165	188,768	64,006	
North Shore	2	152	4	121,629	4,125	24,477	8,258	
Saguenay-Lac-St-Jean	6	1,019	28	785,512	40,996	156,855	53,218	
Mauricie, Bois-Francs	7	1,906	38	2,171,244	122,986	434,520	147,132	
Estrie	4	926	20	992,140	58,047	198,168	67,225	
Montérégie	21	5,457	113	7,182,019	409,116	1,435,863	486,512	
Montréal	31	7,637	149	9,358,679	535,942	1,871,013	634,306	
Abitibi-Témiscamingue	7	1,016	20	732,440	39,481	146,389	49,643	
Outaouais	6	1,280	25	1,161,169	64,574	232,504	78,660	
Laval	6	2,291	44	2,696,654	156,737	538,982	182,631	
Laurentians	12	2,809	55	3,586,854	203,722	717,508	242,983	
Lanaudière	12	2,128	42	2,651,222	142,889	530,869	179,612	
Gaspésie	6	684	17	531,414	20,903	106,214	36,007	
Total (excluding the Fund)	147	33,227	686	37,604,743	2,112,047	7,519,017	2,547,897	10,066,914
Fund: Amounts distributed to non-participating NPOs								839,751
Grand total for NPOs								10,906,665

** Based on most recent RACJ data submitted in March 2003.*

CASINO

EXPORTING OUR EXPERTISE AND KNOW-HOW

Having accumulated a wealth of experience during its more than 30 years of existence, Loto-Québec has earned an enviable international reputation that regularly attracts visiting delegations from the four corners of the globe. A recognized leader for the diversity of its products and its capacity for innovation, the Corporation's ingenuity is becoming more and more in demand abroad. There are three Loto-Québec companies particularly active in exporting their respective expertise—Ingenio, Nter Technologies and Casino Mundial.

INGENIO

Loto-Québec's Ingenio subsidiary is dedicated to research, development and the marketing of innovative new lottery products. Taking full advantage of the rich possibilities offered by interactive multimedia, Ingenio has earned special recognition for its CD-ROM-based lotteries, a patented concept that has proven to hold great promise for marketing opportunities outside Québec.

While proud of their numerous success stories to date, the members of the Ingenio team persist in pushing the envelope through their ongoing applied research initiatives. During fiscal 2002-2003, the group developed some 15 new multimedia lottery game concepts, of which five progressed through prototype testing.

Among Ingenio's greatest strengths is the diverse expertise of its core group of 38 employees. In fact, Ingenio's professionals emanate from the full spectrum of gaming industry sectors—lotteries, video games, casinos, bingo, etc.—as well as from the multimedia milieu. This unique marriage of competencies and technical know-how has fuelled the excellence of the subsidiary's products.

COMMERCIAL AGREEMENTS

Ingenio has been successful in establishing a number of valuable commercial agreements for its patented products with some of the largest lottery ticket printers on the international scene, including Oberthur Gaming Technologies, Pollard Banknote and Scientific Games International. During the course of the past fiscal year, it has also formed a series of business partnerships aimed at developing new game platforms and promoting brands with positive export sales potential. For example, in the autumn of 2002, Ingenio signed an agreement with MDI Entertainment, an American firm that holds the rights to a number of well-known trademarks. This type of strategic partnership serves as a perfect vehicle to broaden the dissemination of Ingenio products and can pave the way to other productive business opportunities.

A GROWING ROSTER OF GAMES

Ingenio's inventory of CD-ROM-based games has grown to encompass nine different titles, including four developed during the year just ended—*Mini-Golf, Casteldor, Loto-Quiz* and *Memento*. Three local adaptations of existing games were also created for new clients. These include a Portuguese version of *Mot Mystère* for Santa Casa de Misericórdia de Lisboa, an English version of *Trio Royal (Solitaire Riches)* for members of the Western Canada Lottery Corporation, and an adapted version of *Trésor de la Tour*™ (*Treasure Tower*™) for the Connecticut State Lottery.

MAXIMIZING MARKET OPPORTUNITIES VIA THE INTERNET

A number of State authorized lottery corporations abroad are either already marketing lotteries in their jurisdictions via the Internet or will soon be doing so. Following suit, in order to better respond to the needs of its foreign clientele, Ingenio's team began work on the development of an innovative technological solution to providing access to its multimedia lotteries by downloading them from the Web, thereby creating a brand-new distribution channel.

INGENIO HAS EARNED SIGNIFICANT INTERNATIONAL ACCLAIM AND, IN SO DOING, HAS CONTRIBUTED TO REINFORCING THE REPUTATION FOR INNOVATIVENESS AND DYNAMISM OF LOTO-QUÉBEC AS A WHOLE.

A KEY PLAYER WITHIN QUÉBEC'S MULTIMEDIA INDUSTRY

Thanks to the rigour and stability of its operating processes, Ingenio has gained a great degree of credibility within the Québec multimedia industry. The close ties it has forged with this industry not only foster effective networking, but also provide it with a constant source of new talent to draw from. In addition, through the awarding of various contracts, the subsidiary is directly contributing to the creation and development of Québec firms active in this sector.

Ingenio is also closely involved in Alliance NumériQC, a network of professionals working in the digital and multimedia industry. Each year, in conjunction with the Québec Entrepreneurship Competition, Ingenio offers a grant to facilitate the start-up of a new firm. An award of excellence bearing its name is presented as well at the Awards Gala of the National Centre for Animation and Design. Moreover, Ingenio is an active supporter of Cybercap, an organization that offers a 26-week internship to young people under 25 who have dropped out of school.

COMMITTED TO CREATION, DEVELOPMENT AND EXPORTS

After only four short years of existence, Ingenio has earned remarkable international acclaim, and thus, has made a major contribution to enhancing Loto-Québec's overall reputation for its innovativeness and dynamism within the gaming industry. Thanks to the total dedication and exceptional professionalism of its personnel, Ingenio is assured of continued success in the design, development and export of leading edge interactive multimedia games.

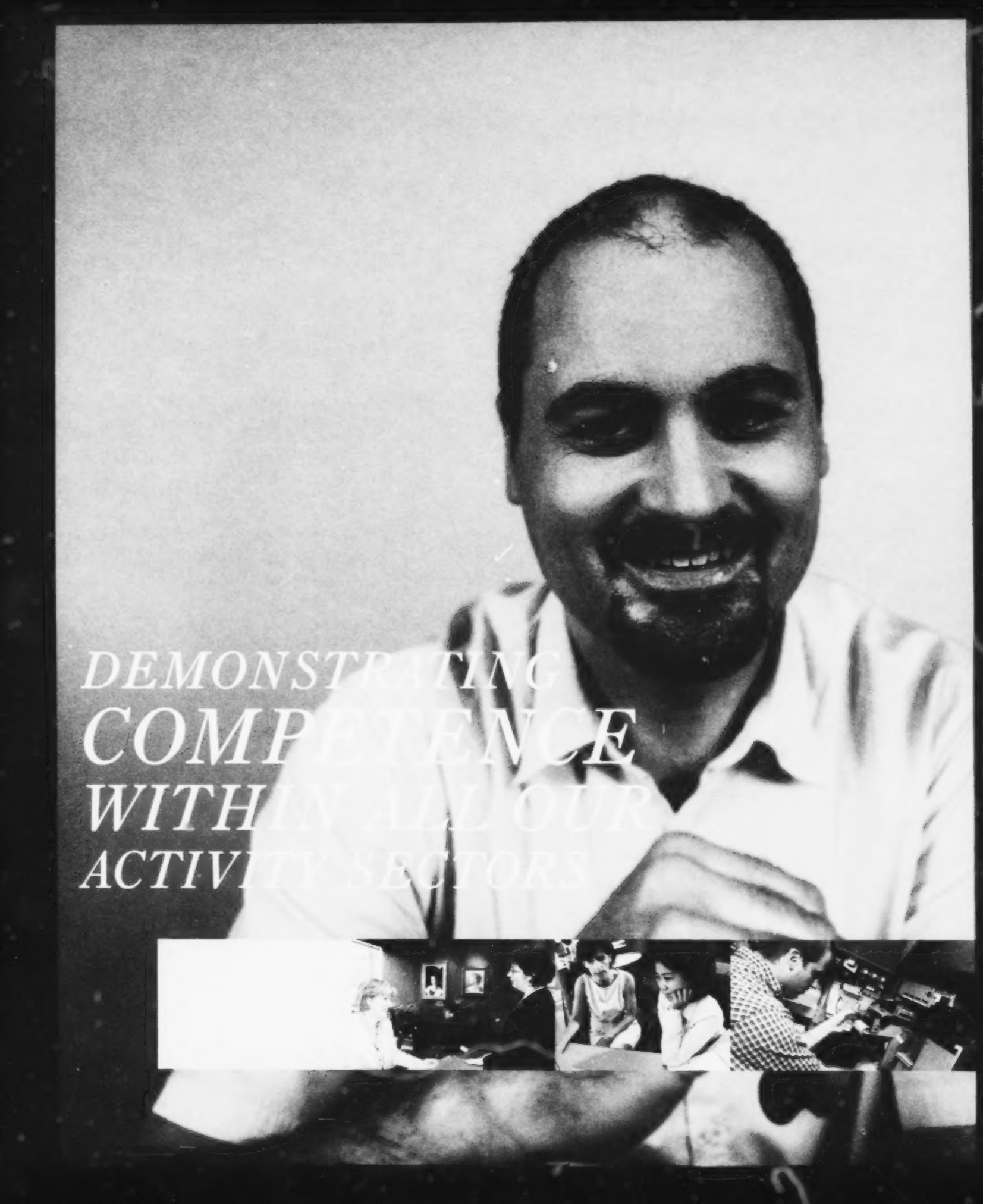
NTER TECHNOLOGIES

Nter Technologies offers the international gaming industry a comprehensive range of value-added products and services—from the design and implementation of effective technological solutions, to the management of complete computer networks. Currently managing systems for the Société des casinos du Québec and the Société des loteries vidéo du Québec, Nter Technologies is also involved in a number of development projects for these two subsidiaries, as well as collaborating in the execution of the Iris project. Thanks to this particular endeavour, Nter will be in a better position to exploit the marketing possibilities for the various components of the project.

Several products developed by Nter Technologies are now actually ready to go to market, most notably NterDraw for conducting electronic draws, NterMedia for the automatic transmission of lottery results, and NterConnect Bingo for the control and management of network bingo. Various systems and applications currently being employed by the Société des loteries vidéo du Québec and others in development destined for the Casinos also offer significant market potential.

CASINO MUNDIAL

Casino Mundial is a wholly-owned subsidiary of Loto-Québec mandated to export local expertise and know-how in the areas of casino design, implementation and management. Created in July 2002, the new subsidiary is currently pursuing initiatives undertaken by the Corporation with Mexican authorities in anticipation of the eventual passage of casino legislation in that country. At the same time, Casino Mundial is, of course, working to identify other promising business opportunities abroad.


DEMONSTRATING
COMPETENCE
WITHIN AID OUR
ACTIVITY SECTORS

GENERAL SECRETARIAT, LEGAL AFFAIRS AND INTERNAL AUDITING

Loto-Québec's General Secretariat and Vice-Presidency of Legal Affairs is charged with maintaining the overall integrity and credibility of the Corporation and its subsidiaries. The responsibilities of this group encompasses the general secretariat, legal affairs, internal auditing, document management, the prevention of compulsive gambling, as well as General Secretariat activities of the World Lottery Association. In fulfilling its functions, the expertise of its personnel makes this group an important part of the organisation. It assists management in various strategic projects and lends its full support to other units of the Corporation with regards to their operation.

GENERAL SECRETARIAT

Among its various undertaking during the past fiscal year, Loto-Québec's General Secretariat was actively involved in the preparation of the Corporation's 10 Board of Directors meetings, along with those of the Corporation's numerous subsidiaries and joint ventures. In addition to supporting the general administrative needs of Loto-Québec and its subsidiaries, this office plays an important role in obtaining patents and trademarks, as well as in the awarding of permits to assure the adequate protection of the Corporation's intellectual property worldwide. Finally, the General Secretariat was also active again this past year in operating the in-house Documentation Centre, a rich storehouse of more than 3,000 books and documents that are constantly consulted by lottery corporations from around the globe.

LEGAL AFFAIRS

During fiscal 2002-2003, the Legal Affairs group was particularly active on three fronts—the development of policies and procedures for the application of regulations aimed at combating the recycling of illegal products, the preparation of a broad range of contracts governing the Corporation's activities, and the management of litigations. Considerable time and effort was also devoted this past reporting period to the assembly of documentation required for a class action case launched against Loto-Québec.

INTERNAL AUDITING

Loto-Québec's Internal Auditing team serves as the guardian of the Corporation's credibility, integrity and reputation. More specifically, internal auditors ensure that all the Corporation's systems continue to function effectively by conducting periodic assessments of the control mechanisms in place, especially within key activity sectors. During fiscal 2002-2003, particular attention was focused on assuring the security of Loto-Québec's computer systems.

RESPONSIBLE GAMING

The numerous actions and activities undertaken in this area are outlined on page 33 of this annual report.

FINANCE, ADMINISTRATION AND STRATEGIC PLANNING

The sheer diversity of the Corporation's activities and the scope and scale of its annual revenues and daily financial transactions all demand the use of the most rigorous administrative and financial procedures. In that regard, the Corporate Vice-Presidency of Finance and Administration is responsible for establishing all of these procedures and for lending its support to Loto-Québec's various operating units to ensure that they can conduct their activities with maximum efficiency.

Among its specific functions, the Vice-Presidency formulates and monitors budgets, prepares financial statements, and manages the financial resources and insurance portfolios of Loto-Québec and its subsidiaries. The group also handles the acquisition of all goods and services. In so doing, it is committed to obtaining the best quality and value while fully respecting the principles of transparency and fairness in its selection of suppliers.

IMPLEMENTATION OF THE ORACLE SYSTEM

The successful, on-time implementation of the Oracle integrated financial management system figures among the Vice-Presidency's most noteworthy realizations during the past fiscal year. This major change in how Loto-Québec functions administratively has seen the Corporation dispose of various outdated systems that were no longer able to meet its needs.

The new Oracle system offers a number of valuable benefits—from integrating all purchasing activities, to facilitating inventory management, to increasing the Corporation's capabilities for processing electronic transactions, particularly with banks and government departments. During the year in progress, considerable effort will be devoted to maximizing the system's effectiveness and value by making it even more user-friendly.

STRATEGIC PLANNING

The Corporate Vice-Presidency responsible for strategic planning is mandated to advise Loto-Québec's senior officers and management, as well as to support them in their efforts to continuously improve operations. The group is comprised of an expert team of professionals specialized in the areas of financial management, statistics and administration.

Working hand-in-hand with representatives from the various sectors concerned, the Vice-Presidency coordinates the assessment of all major projects outlined in the 2003-2006 Action Plan tabled in November 2002. For the purposes of these projects, particularly those involving fixed assets, the group has developed a special evaluation scale to gauge their impact and profitability. Moreover, the team worked hard during the past fiscal year on identifying users' functional and technical requirements and proposed a series of optimal solutions in response to the Corporation's operational needs.

MONITORING AND MANAGEMENT INDICATORS

As part of its strategic planning initiatives, the Vice-Presidency implemented a new monitoring and analysis function allowing for the consolidation of information pertaining to the gaming industry, and allowing the group to be better able to advise the Corporation on new directions and practices. In support of its efforts to stabilize revenues, Loto-Québec must have access to reliable management indicators to enable it to evaluate its financial performance and measure its operational effectiveness. To that end, the Vice-Presidency was actively involved in the collection and updating of statistical data, resulting in the development of a set of indicators that track the evolution of the Corporation's performance. As well, the group redesigned Loto-Québec's performance indicators to now be capable of presenting the progression of profit margins within each of the Corporation's activity sectors on a quarterly basis.

IRIS

REAL ESTATE ACTIVITIES

Loto-Québec's real estate assets have grown significantly over the past 10 years, with the surface area occupied by the Corporation's buildings now exceeding 368,000 square metres and their acquisition value approaching $0.7 billion.

The Corporate Vice-Presidency in charge of real estate is responsible for the effective management and maintenance of all the Corporation's real estate holdings, as well as for defining optimal processes and practices related to building administration and construction. Offering Loto-Québec and its subsidiaries expert consulting and support services, the Vice-Presidency oversees the activities of the Corporation's Casiloc subsidiary charged with the management of all major real estate projects, along with those of Lotim, Loto-Québec's other real estate subsidiary.

KEY ACCOMPLISHMENTS

Expansion and renovation work continued on the Manoir Richelieu's 18-hole golf course during the past fiscal year with the addition of a new practice green and 9-hole course. Initiated in autumn 2001, this large-scale $14 million project is slated for completion in 2005, once each of the original course's 18 holes has been refurbished. The new course offers spectacular views that have received the critical acclaim of journalists covering the sport. Furthermore, the discovery of an important source of water on-site not only serves the needs of the golf course, but it also provides a permanent solution to the supply problems experienced in the past by residents in a particular sector of La Malbaie.

At the Manoir Richelieu hotel itself, expansion work got underway aimed at doubling the capacity of the outdoor pool. At the Casino du Lac-Leamy, work was completed on a multi-level parking facility able to accommodate 1,600 vehicles. Finished with a glass exterior and featuring a heliport on the roof, the building was constructed at a cost of $29.5 million. A project also got underway at the performance hall to transform the parterre area from its current Italian style into a cabaret design.

LOTIM

A subsidiary of Loto-Québec, Lotim owns 50% of the building located on Sherbrooke Street in Montréal that serves as the Corporation's head office. The building is owned in partnership with SITQ National Inc., itself a subsidiary of the Caisse de dépôt et placement du Québec. Over the past fiscal year, the rental situation in this building has remained virtually unchanged, with the occupation rate still hovering at 100%. In 2003, Lotim expects to renew its lease on some 325,000 square feet of space it occupies in the building.

The building's increase in gross revenues has resulted in a slight growth in net profits, up 4.8% as compared to the previous year to $3.65 million. Lotim's participation translates into revenues of $1.83 million, bringing the net cost of the subsidiary's occupation to approximately $16.70 per square foot.

CORPORATE VICE-PRESIDENCY OF HUMAN RESOURCES

From the creation of a Centre dedicated to the development of skills and competencies, to major advancements towards the implementation of a new salary equity program, to the renewal of a comprehensive collective agreement, the Corporate Vice-Presidency of Human Resources marked a year full of accomplishments in 2002-2003, for the benefit of the entire Corporation and its 6,800 employees.

THE CENTRE FOR COMPETENCY DEVELOPMENT

With its human resources constituting its most precious asset, Loto-Québec attaches the greatest of importance to the ongoing training and development of its personnel, as well as to the preparedness of new staff. It is this commitment that fuelled the creation of the Centre for Competency Development, housed in the Corporation's Bridge Street complex in Montréal. Thanks to this new facility, Loto-Québec is assured of being able to count on the most qualified workforce at all times—employees fully equipped to meet the various challenges confronting the Corporation and its subsidiaries.

Mandated to design and implement an integrated system for the management of competencies and to develop effective policies and programs in support of this system, the Centre offers a broad range of training and organizational development services. Its diverse activities promise to enable the Corporation to deal with the shortage of skilled labour that so many other employers will be facing over the next few years due to the ever-increasing rate of retirement. In 2002, Loto-Québec and its subsidiaries allocated more than 2% of their payroll to spending on training.

MAJOR PROGRESS IN REALIZING SALARY EQUITY

Significant progress was made during fiscal 2002-2003 towards finalizing the implementation of a salary equity program for Société des casinos du Québec and Resto-Casino personnel. In parallel with creating the Salary Equity Committee prescribed by existing legislation, a computerized management system was designed to consolidate the information required for the development of the program and to offer a database to facilitate job evaluations.

The Vice-Presidency also developed a series of indicators for management and participated in no fewer than 18 salary surveys conducted within the labour market. Its involvement in these surveys generated various important insights that will contribute to the development of the Corporation's own remuneration policies and to the redesign of its profit-sharing plans.

ONE AGREEMENT SIGNED...FURTHER NEGOTIATIONS UNDERWAY

From a labour relations standpoint, the past fiscal year saw the renewal of the collective agreement with the Casino de Montréal's croupiers, represented by the Canadian Union of Public Employees. This agreement has been renewed for a period of four years, extending to December 31, 2006.

Moreover, negotiations got underway aimed at the establishment of a first collective agreement with employees of the Hilton Lac-Leamy Hotel, represented by the Confederation of National Trade Unions. Similar negotiations were also initiated with unions acting on behalf of Casino de Montréal employees working in the general, security and food services sectors.

MAJOR RECRUITMENT EFFORT FOR THE IRIS PROJECT

An important recruitment drive was launched this past fiscal year to engage supplemental resources for the large-scale Iris computer development project. By the time this initiative is completed in autumn 2003, some 100 new employees will have been hired.

The increasing level of activities related to recruitment and hiring has brought to light the necessity of implementing a fully integrated computerized process management system in support of these activities. With the needs now well defined, the Vice-Presidency will soon have such a system in place, thereby enhancing the effectiveness and efficiency of its staffing efforts.

REMPHOR NOW IN PLACE

With the REMPHOR system made operational at the Casino du Lac-Leamy during fiscal 2002-2003, the rollout of a computerized work time management system throughout all Loto-Québec units is now complete. The implementation of this automated and fully integrated management package allowing for the electronic authorization of work time sheets and transmission of data to the payroll system lays the foundation for the standardization of all systems within the Vice-Presidency of Human Resources.

VICE-PRESIDENCY OF CORPORATE SECURITY

The Vice-Presidency of Corporate Security carried out a large-scale project this past fiscal year involving a comprehensive analysis of the risks associated with the security of information at Loto-Québec and within its subsidiaries. Known as Méhari and realized in collaboration with team members from the private sector and the Corporate Internal Auditing Department, this project included a complete evaluation of existing control measures and was conducted as part of the Corporation's commitment to continuously improving its security norms and standards.

Also under the banner of continuous improvement, the security procedures in effect at the three casinos underwent a thorough review and were updated in order to maximize their effectiveness. Furthermore, the Cardex database designed for Loto-Québec's various security departments and those of its subsidiaries are now accessible in Web mode, thereby facilitating use of the system. The new version will also help improve the exchange of information with other Canadian casinos.

As well, during fiscal 2001-2002, the Vice-Presidency of Corporate Security was actively involved in the development of security architecture for the Iris project, the major program dedicating to revamping Loto-Québec's gaming and lottery management systems. This architecture was carefully designed to meet both the business and security needs of the Corporation.

CORPORATE VICE-PRESIDENCY OF COMMUNICATIONS AND PUBLIC AFFAIRS

The primary mission of the Corporate Vice-Presidency of Communications and Public Affairs is to convey the orientations of Loto-Québec and its subsidiaries to their various internal and external publics, while fostering the development of the Corporation's image and contributing to the achievement of its business objectives.

During the past fiscal year, the Vice-Presidency revised its organizational structure and reinforced its management team in order to be able to fulfill its mission more effectively. Responsible for serving the needs of its customers in all sectors of the Corporation, the group is now better able than ever to support their various communications projects and initiatives. Among the numerous innovations implemented during 2002-2003, the Vice-Presidency created a Publications Department with the exclusive mandate to develop and offer internal consulting services in the areas of written, graphic and print communications.

PROMOTING A BETTER UNDERSTANDING OF LOTO-QUÉBEC

A number of major communications initiatives were undertaken during the past fiscal year aimed at sensitizing the public to Loto-Québec's unique economic role and social responsibility. Among the most noteworthy accomplishments in this regard was the production of some 50 information capsules broadcast on the TVA television network, Radio-Énergie, and on various community radio stations. These mini-reports provided an opportunity to present the Corporation in a new light and, thereby, enhance the public's appreciation of its social role and contributions.

The issues and orientations at the heart of the Corporation's 2003-2006 Action Plan were also the focus of a major communications campaign targeted at the media. In fact, the media relations team issued no fewer than 87 press releases over the course of the year, while responding to close to 1,100 requests for information from journalists.

A great deal of the Vice-Presidency's efforts are concerned with enhancing public perceptions of Loto-Québec. In line with these efforts, the Corporation saw its position in the annual ranking of Québec's most admired companies rise from 62nd in 2002 to 47th in 2003, according to data gathered by the polling firm of Léger Marketing and published in *Commerce* magazine.

Moreover, in support of the Casinos' drive to increase visitor traffic originating from outside the province, the Vice-Presidency of Communications and Public Affairs continued to encourage media outside Québec to come and discover these major attractions for themselves. Some 30 journalists accepted the invitation, resulting in some highly favourable press coverage indeed.

NEW LOGOS FOR THE CORPORATION AND ITS SUBSIDIARIES

As part of the commitment to reinforcing Loto-Québec's brand image, the Corporation adopted a fresh new logo featuring greater contrast and a more modern look. While the horn of plenty remains the central element of the new logo, the symbol now appears in a balanced square, sporting a more vibrant blue tone than the former signature. By framing the logo in this manner, it gains greater visibility, particularly when placed alongside other signatures like those typically in evidence during cosponsored events. The distinctive lines of this horn of plenty have also been incorporated in the new logos adopted by the Corporation's subsidiaries, thereby reinforcing the association between Loto-Québec and its different activity sectors and creating a direct visual link with its various different components.

WEB SITE MAKEOVERS

Initiated in the spring of 2001, the redesign of Loto-Québec's Web site and those of its subsidiaries is now complete. Thanks to the close collaboration between the Communications and Public Affairs, Information Technologies and Corporate Security Vice-Presidencies, this project resulted in the incorporation of far more rich content, more hyperlinks, and the optimal integration of the Corporation's and subsidiaries' Web sites. Currently numbering 11, these sites serve to showcase the great diversity of the Corporation's activities, and today, the Loto-Québec portal is one of the most visited sites in the province. In fact, the Draw Results section alone plays host to some 1.2 million visitors each month!

VICE-PRESIDENCY OF INFORMATION TECHNOLOGIES

In order to ensure the effectiveness of its operations, Loto-Québec depends heavily on the most advanced and efficient information technologies. And, thanks to the exceptional competence and expertise of its specialized IT personnel, the Corporation is assured of having access to the most reliable operating systems, as well as of the continuous development of new and improved computerized solutions.

RELIABLE SYSTEMS

The consistent reliability of our operating systems was again confirmed this past fiscal year, with no major generalized breakdowns or malfunctions interrupting the operation of our on-line lottery terminals. In fact, as at March 31st, the total number of consecutive problem-free days on the network equalled 1,076. This high rate of reliability was particularly noteworthy in light of the more than 800 technical initiatives of all types carried out on the systems. Among the most significant of these were:

-- the transfer of lottery system operations from the Pierre-de-Coubertin processing centre to the centre located at head office
-- the multiplexing of fibre optic lines—an operation that saw the total number of lines reduced from 16 to 2, which will result in substantial annual savings
-- the implementation of an infrastructure enabling the Corporation and its subsidiaries to shift from a microcomputer environment to the more efficient Windows 2000 operating platform

NEW TECHNOLOGICAL DEVELOPMENTS

Throughout fiscal 2002-2003, the Systems Development team was hard at work refining a number of products and business processes. Their many accomplishments over the year included:

-- modifying the frequency of *Banco spécial* draws to a daily basis
-- implementing a "Replay" option to allow consumers to play the same selections on a ticket after validation
-- the addition of bonus prizes to mark the 20th anniversary of *Lotto 6/49*
-- the introduction of two new selection slips—*Combinaison Banco* and *Forfait Quotidien*
-- instituting the possibility of deferred payments for individual *Lotomatique* subscriptions
-- the establishment of an Extranet for wholesalers, an innovative solution which promises to improve business processes and the quality of information provided to them

REVIVAL OF THE IRIS PROJECT

Loto-Québec adopted a new strategy with respect to the Iris project, opting to resume responsibility for the completion of this large-scale project which involves a complete overhaul of the Corporation's gaming and lottery management systems.

While the initial plan called for the implementation of all the applications of the new platform in one single phase, the decision was made to proceed progressively and to use the existing JEF (Jeux événementiels flexibles) platform as the central element of the new system's transactional component. This revised orientation takes full advantage of our employees' outstanding expertise and allows us to more judiciously spread out the implementation process over time. Furthermore, by building the new system on a well-founded base, the project is more assured of optimal success.

The vital importance of the Iris project has led to the creation of a new department with exclusive responsibility for the project's effective management. As part of this reorganization within the Vice-Presidency of Information Technologies, the mandate of the Systems Planning and Control Department underwent a full review. The group's primary responsibility, however, remains to advise the Corporation about new technologies and applications and to help optimize the processes related to their implementation and operation.

FULFILLING
OUR SOCIAL
COMMITMENT
THROUGH CONCRETE ACTIONS

THE PREVENTION OF COMPULSIVE GAMBLING: AN UNREMITTING PRIORITY

For the vast majority of people, games of chance are nothing more than a simple form of recreation. However, no one can ignore the fact that these games do hold some degree of risk with respect to potential obsessive behaviour. According to existing research, 2.1% of the Québec population has problems related to gaming. Thus, the prevention and treatment of the dependence on gambling remains one of Loto-Québec's priorities.

FINANCING GOVERNMENT PROGRAMS

Over the past 25 years, the Corporation has dedicated close to $75 million to combating compulsive gambling. More than half of this amount was allocated during the past two years in the form of contributions to the Ministère de la Santé et des Services sociaux (MSSS) and the Régie des alcools, des courses et des jeux (RACJ), which operates under the auspices of the Ministère de la Sécurité publique.

The sole Government authority in Québec involved in the researching and treatment of compulsive gambling, the MSSS operates a multi-faceted program in this area comprised of prevention, detection, crisis intervention, treatment, reintegration, training, scientific analysis and evaluation of existing measures. In addition to $18 million in 2001-2002, during fiscal 2002-2003, the MSSS received $17 million from Loto-Québec to support its various program initiatives. For its part, the RACJ was assigned $3 million during the year just ended to help it continue its efforts to assure better control over access to video lottery terminals. The organization received $2 million in support of its endeavours in 2001-2002.

SENSITIZING CASINO EMPLOYEES

Loto-Québec has developed its own measures aimed at preventing compulsive gambling. Among the Corporation's latest initiatives is the organization of special awareness sessions targeted at over 3,000 Casino employees in Québec, primarily those in direct contact with patrons. These sessions have been designed to sensitize the employees to ways of quickly detecting problem situations and, if needed, referring the individuals concerned to the appropriate resources for help. The sessions also serve to reinforce the effectiveness of the assistance services currently in place at Québec Casinos for players in crisis situations. These services receive the support of specialized Centres such as Maison Jean-Lapointe associated with the Casino de Montréal, Centre 24/7 with the Casino du Lac-Leamy, and the Centre Ressource Génésis with the Casino de Charlevoix.

Moreover, Casino personnel are able to advise their clientele of the existence of the Corporation's self-exclusion program, which prohibits people who have registered from entering any of Loto-Québec's gaming houses. During fiscal 2002-2003, Casino security personnel handled more than 11,000 cases involving people registered in this program.

Another effective means of sensitizing the public to the risks of compulsive gambling is the use of interactive terminals at the three Casinos. These units have been designed to enable players to evaluate their own gaming behaviour, and during the past fiscal year, more than 45,000 people took advantage of this valuable resource.

GETTING THE MESSAGE OUT

A variety of different warning messages were put into place during the year just ended, particularly on video lottery terminals and slot machines. These units will now permanently display the emergency help hotline number, along with such alerts as "Avant de tout perdre…" ("Before losing it all…"), "Avant les idées noires…" ("Before getting any crazy ideas…"), and "Avant les idées suicidaires…" ("Before thinking of ending it all…"). In addition, 20% of all lottery advertising during the past year featured messages promoting responsible gaming.

HEIGHTENED SURVEILLANCE TO ENSURE COMPLIANCE WITH THE LAW

Fiscal 2002-2003 was marked by a heightened level of scrutiny with regards to respecting the law prohibiting the sale of lottery products to minors. All retailers received a formal notice explicitly indicating that Loto-Québec was reinforcing the measures already in place to ensure greater control over application of the legislation. Any retailer found to be in contravention of the law three times will have their business agreement with the Corporation terminated.

SCALING BACK THE VIDEO LOTTERY NETWORK

Another key highlight was the reduction of the number of video lottery terminals (VLTs) in place from some 15,300 to 14,300. In parallel with this measure, the existing VLTs are gradually being replaced by new units featuring various mechanisms designed to promote responsible gaming. These mechanisms are described in detail on page 15 of this report.

INTER-MINISTERIAL ROUND TABLE

For the second consecutive year, Loto-Québec participated in an inter-ministerial round table focused on the prevention and treatment of compulsive gambling. This dialogue between the various Government authorities has proven to be most valuable in generating concrete actions to improve the management of the repercussions of games of chance.

THE MISE SUR TOI FOUNDATION

An initiative of Loto-Québec created in 2002, the Mise sur Toi Foundation has invested in a variety of activities, either in the form of grants and subsidies to organizations working in the area of prevention, or through the financing of special awareness workshops. As such, the Foundation has made a significant contribution to the promotion of responsible gaming.

CASINO
Fondation des Centres jeunesse de Montréal
Dix mille dollars
10 000 $
entr ide

COMMITTED TO SOCIAL RESPONSIBILITY

For over 30 years, Loto-Québec has been dedicated to conducting its activities so as to be able to fulfill its business mandate while satisfying its social responsibilities as well. In the process, it has successfully demonstrated itself to be both a highly profitable public corporation and a sound corporate citizen.

In fact, Loto-Québec's strong social commitment manifests itself in many different forms. In addition to contributing significantly to various Government Ministries for the financing of a diverse range of programs, the Corporation provides valuable financial support to non-profit organizations, contributes to the Fonds d'aide à l'action communautaire autonome and the Fonds d'aide à l'action humanitaire internationale, sponsors a multitude of local and regional events, lends its support to the visual arts milieu, and provides funding to promote the cultural development of communities and their local tourism.

BOLSTERING NON-PROFIT ORGANIZATIONS

An ardent supporter of community action, Loto-Québec has developed a longstanding and productive partnership with non-profit organizations (NPOs). As part of this commitment, the lottery sector has entrusted NPOs with the management of sales kiosks in shopping malls and the sale of *Lotomatique* lottery subscriptions. During 2002-2003, the Corporation added 108 NPOs to its list of accredited organizations, bringing the total to 1,282, and over $10.4 million was contributed to help finance their operations and activities.

The Société des bingos du Québec (SBQ) is also actively committed to helping finance community organizations, more specifically, those NPOs that hold a bingo license. This activity sector contributes all of its net revenues to them. During the past fiscal year, a total of $10.1 million has been distributed by the subsidiary to the 686 NPOs that are part of its network, along with $840,000 among another 407 organizations that hold bingo games at non-participating halls.

FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME

Each year, Loto-Québec contributes 5% of the Société des casinos du Québec's (SCQ) and Resto-Casino's net income to the Fonds d'aide à l'action communautaire autonome. This Fund is administered by the Secrétariat à l'action communautaire autonome du Québec (SACA), under the auspices of the Ministère de l'Emploi, de la Solidarité sociale et de la Famille. Loto-Québec's contribution enables SACA to grant subsidies to hundreds of community organizations throughout Québec. In 2002-2003, the Corporation contributed a total of $14.575 million to SACA.

FONDS D'AIDE À L'ACTION HUMANITAIRE INTERNATIONALE

On a yearly basis, Loto-Québec also devotes 1% of the SCQ's and Resto-Casino's net income to the Fonds d'aide à l'action humanitaire internationale, a program administered by the Secrétariat à l'aide internationale du Québec, under the auspices of the Ministère des Relations internationales. The Corporation's contribution to this Fund totalled $2.915 million this past fiscal year.

LOTO-QUÉBEC HAS ADOPTED A PROVINCE-WIDE POLICY TO SPONSOR PUBLIC EVENTS THAT OFFER SIGNIFICANT ECONOMIC BENEFITS TO LOCAL COMMUNITIES.

UNIFYING COMMUNITIES THROUGH EVENT SPONSORSHIP

The sponsorship of community events is one of Loto-Québec's preferred ways of fulfilling its social role and commitment. Indeed, the Corporation has a longstanding policy and tradition of sponsoring events throughout all regions of Québec that serve both to bring citizens together and provide significant economic benefits to the respective communities at large. During the year just ended, Loto-Québec allocated $9 million to the sponsorship of no fewer than 180 different events of a community, tourism, cultural or sports nature.

Within the two urban centres of Montréal and Québec City, for example, the Corporation renewed its active participation in such major events as the Just for Laughs Festival, the Air Canada Grand Prix, les Grands Feux Loto-Québec, the traditional Québec Carnival, and the shows staged under the banner of the Fête nationale. On a regional level, Loto-Québec was equally at the heart of such popular public events as the Mondial des cultures de Drummondville, the Traversée internationale du Lac Saint-Jean, the Valleyfield Regatta, and the Trois-Rivières Grand Prix.

From the Festival du Vieux Port de Chicoutimi, to the Concours de châteaux de sable des Îles-de-la-Madeleine, to the Fête d'hiver de Rouyn-Noranda and the Festival de la galette de sarrasin de Louiseville, more than 40 different festivals and public celebrations benefited from Loto-Québec's valuable support during the past year. The Corporation also focused particular attention on the cultural sector, sponsoring events which included the Soirée des Masques, a series of open-air concerts performed by the Montréal and Québec City Symphony Orchestras along with six regional orchestras, the Festival international du Domaine Forget, the Festival Jonquière en musique, and the Jeunesses Musicales Montréal International Competition.

THE LOTO-QUÉBEC COLLECTION: PROMOTING AND SUSTAINING THE VISUAL ARTS

Loto-Québec has been an active supporter of the local visual arts milieu for many years. Established in 1979, its prestigious Art Collection invested $364,000 during fiscal 2002-2003 for the acquisition of 145 new works. Today, the Collection includes some 2,800 distinctive works created by 750 local artists. This past year, Québecers in Jonquière, Fredericksburg, Drummondville and Victoriaville were able to admire some of the Collection's pieces as part of its touring and exhibition program. Moreover, in line with its commitment to promoting the creation of new works, the Collection organized the 25th edition of its Annual Printmaking Competition and also lent its financial support to such events as the Symposium international d'art contemporain de Baie-Saint-Paul and the Rencontre des Arts in Saint-Jean-sur-Richelieu.

MISSION ACCOMPLISHED FOR THE MARIE-CLARISSE

Owned by Loto-Québec, the schooner *Marie-Clarisse* is a veritable jewel of Québec's maritime heritage. Classified as a historic artefact, the vessel was acquired by the Corporation in 2001 and entrusted with a dual mission to serve as a standard bearer for the Charlevoix tourist region and a valuable financing tool for non-profit organizations which are allowed use of the vessel for their fundraising activities. The *Marie-Clarisse* was highly successful in fulfilling its mission during the 2002 summer season, playing host to some 4,200 passengers and completing 80 outings up and down the Saint Lawrence River.

FINANCIAL REVIEW

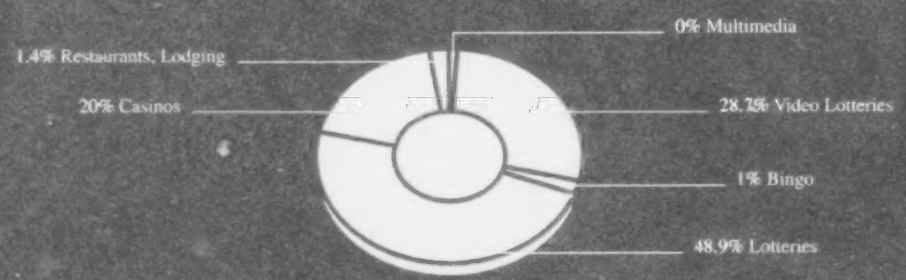
For the fiscal year ended March 31, 2003, Loto-Québec's consolidated revenues totalled $3.7 billion, representing an increase of $87.6 million, or 2.4% over the previous year. The Corporation's operating expenses equalled $706.1 million, up 7.8% from the last reporting period, while consolidated net income was posted at $1.446 billion, a slight decline of 0.2% as compared to fiscal 2001-2002.

REVENUES AND GROSS PROFIT BY SECTOR

The lottery sector proved once again to be the largest overall contributor to the Corporation's total sales this past fiscal year, recording revenues of $1.8 billion. Compared to the previous reporting period, this represents an increase of $41.1 million, or 2.3%, primarily attributable to two substantial jackpots offered during the year by the *Super 7* lottery. Gross profit in this sector equalled $721.5 million, up by $13.3 million compared to the previous year. A total of $953.2 million was paid out in prizes to winners during fiscal 2002-2003, along with $125.9 million in commissions to retailers.

With revenues of $747.5 million, the casino sector posted an increase of $20.4 million, or 2.8% over the previous fiscal year. The Casino de Montréal's revenues, for example, rose by $5 million (1%), while the Casino de Charlevoix and the Casino du Lac-Leamy saw their earnings grow by $3.6 million (8.3%) and $11.8 million (6%) respectively. In the case of the Casino du Lac-Leamy, this increase was due in large part to its expansion and to the impact of the hotel complex's first full year of successful operation. Moreover, since June 21, 2002, the facility's daily business hours have been extended by three hours. During the past fiscal year, a combined total of $18.7 million was paid out to casino patrons in the form of promotional discounts.

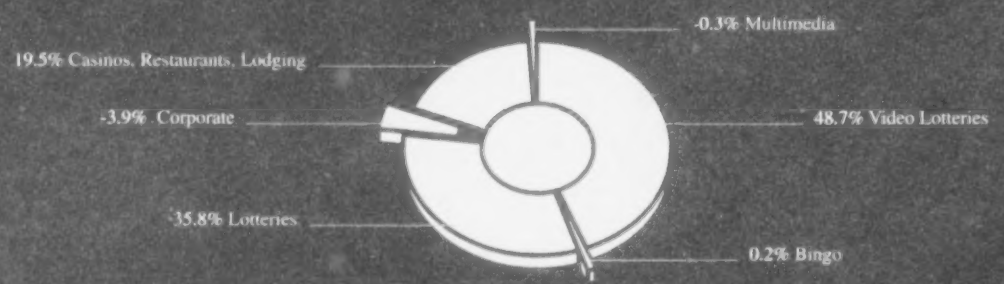
SALES FIGURES



For its part, the restaurant and lodging sector recorded earnings of $93.2 million, representing an increase of $21.1 million, or 29.2% over the previous fiscal year. This increase is the result of the Hilton Lac-Leamy hotel complex's first full year of operation, as compared to only six months of operation in 2001-2002. The positive results in this sector are also attributable to a significant increase in restaurant revenues.

Totalling $1.077 billion in fiscal 2002-2003, the video lottery sector's revenues rose slightly by 0.9% over the previous year, seemingly levelling out as compared to the increases recorded in previous years. During the year ended March 31, 2003, a total of 412 video lottery terminals (VLTs) were withdrawn and 165 sites were closed in accordance with the agreement made in May 2001 with the Minister of Finance to remove 1,000 VLTs from the market over an 18-month period in order to bring the total in place to 14,301. Commissions paid during the past fiscal year to retailers operating Loto-Québec's VLTs in their establishments equalled $280 million, a slight decrease of 0.4% from the previous year.

CONSOLIDATED NET PROFIT



At $37.6 million, the Corporation's bingo sector's revenues declined by $2 million, or 5.2% over the previous year. This decline was due primarily to the loss of 700 bingo events subsequent to the closing of participating halls and the suspension of bingo activities by non-profit organizations (NPOs). Moreover, the sector saw a decrease of close to 2% in average participation per hall and per event. La Société des bingos du Québec inc. paid out $17 million in prizes to winners over the past year and $2.2 million in commissions to bingo hall operators.

Finally, the multimedia sector posted total earnings of $927,000 during fiscal 2002-2003 — results identical to those of the previous reporting period. Half of these revenues originated from products marketed by Loto-Québec, while the other 50% was generated through exports.

OPERATING EXPENSES

The Corporation's operating expenses were up by 7.8% over the previous year, totalling $706.1 million and representing a ratio of 18.8% of total earnings, compared to 17.9% in 2001-2002. Once again this past fiscal year, it was the casino, restaurant and lodging sectors that posted the greatest variations. Higher staff and manager salaries, along with the introduction of new promotion and advertising programs were two key factors contributing to the rise in expenses. The full impact of the Casino du Lac-Leamy expansion, the operation of the Théâtre du Casino and the Hilton Lac-Leamy Hotel, and the extension of the Casino's operating hours were among the other factors.

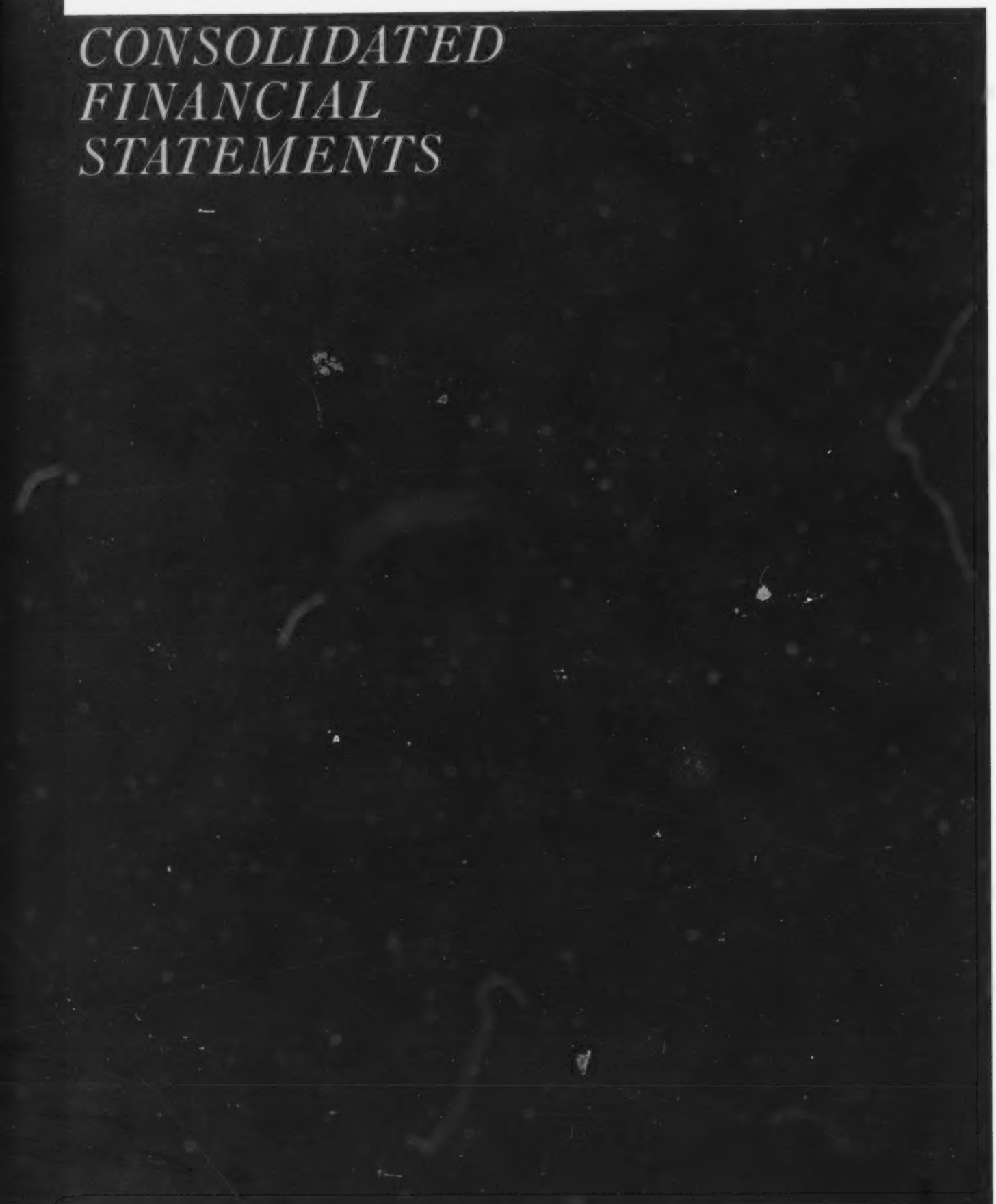
OTHER ITEMS

Other items totalled $138.6 million, up $2.8 million, or 2.1% as compared to the previous year. This increase is attributable primarily to consumption taxes (GST and QST). These items also include special contributions in the order of $8.4 million to non-profit organizations made by the bingo sector out of its operating income.

CONTRIBUTIONS TO GOVERNMENTS

Loto-Québec's contribution in the form of dividends to the Ministry of Finance amounted to $1.311 billion during fiscal 2002-2003. In addition, a total of $93.3 million was paid into the Québec Government's various designated funds, along with another $91.5 million to the Ministry of Revenue in tax on capital and Québec Sales Tax (QST). As such, total contributions to the Québec Government equalled close to $1.496 billion. Moreover, the Corporation contributed $14 million to the Government of Canada as compensation for its withdrawal from the lottery sector, as well as $74.5 million in the form of Goods and Services Tax (GST).

CONSOLIDATED FINANCIAL STATEMENTS



MANAGEMENT REPORT

The Board of Directors is responsible for the consolidated financial statements drawn up for the shareholder. It delegates responsibility for preparing them to senior management, while the Audit Committee reviews them.

Management has a system of internal controls to ensure that the financial statements are reliable, and Internal Audit monitors the system to ensure it works properly.

The consolidated financial statements are prepared according to Canadian generally accepted accounting principles which, in certain cases, require judgements on the part of management. The financial information contained within the rest of the annual report corresponds to the information provided in the financial statements.

By law, the Auditor General of Québec audits the books and accounts of Loto-Québec. The Audit Committee and the Auditor General meet with management to discuss questions pertaining to the audit and to the consolidated financial statements. Audit Committee members have no link to Loto-Québec other than as directors.

The Board of Directors has approved the consolidated financial statements of Loto-Québec for the fiscal year ended March 31, 2003.

ROBERT CRÉPEAU, F.C.A.

Interim Chairman, President
and Chief Executive Officer

GÉRALD HOULE, CMA

Corporate Vice-President of
Finance and Administration

Montréal, May 22, 2003

AUDITOR'S REPORT

To the Minister of Finance

I have audited the consolidated balance sheet of Loto-Québec as at March 31, 2003 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Loto-Québec's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. These standards require that I plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present, in all material aspects, the financial position of Loto-Québec as at March 31, 2003, and the results of its operations and cash flows for the year ended in accordance with Canadian generally accepted accounting principles. As required by the *Auditor General Act* (R.S.Q., Chapter V-5.01), I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

LOUIS PARADIS, C.A.

Interim Auditor General

Québec City, May 22, 2003

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2003
(in thousands of dollars)

	2003	2002
Revenue	3,749,410	3,661,786
Cost of Sales *(note 3)*	1,458,654	1,422,639
Gross Profit	2,290,756	2,239,147
Operating Expenses		
Operating expenditures	618,149	570,194
Depreciation of fixed assets	77,440	76,045
Amortization of patents	309	308
Amortization of deferred charges	2,359	1,333
Interest – net *(note 4)*	7,856	7,024
	706,113	654,904
Income Before the Following Items	1,584,643	1,584,243
Special payments *(note 5)*	26,873	26,321
Goods and Services Tax	52,093	50,916
Québec Sales Tax	59,603	58,527
	138,569	135,764
Net Income	1,446,074	1,448,479

Segmented Information *(note 20)*

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2003
(in thousands of dollars)

	2003	2002
Balance at Beginning of Year	192,796	159,845
Net income	1,446,074	1,448,479
	1,638,870	1,608,324
Dividends	(1,311,000)	(1,319,000)
Fonds d'aide à l'action communautaire autonome *(note 6)*	(14,575)	(14,531)
Fonds d'aide à l'action humanitaire internationale *(note 6)*	(2,915)	(2,906)
Contributions to the Québec Government *(note 7)*	(75,815)	(79,091)
	(1,404,305)	(1,415,528)
Balance at End of Year	234,565	192,796

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2003
(in thousands of dollars)

	2003	2002
ASSETS		
Current		
Cash on hand – Casinos	46,854	42,328
Cash on hand	15,943	37,485
Temporary investment, at cost	14,956	–
Accounts receivable *(note 8)*	75,674	67,667
Inventory *(note 9)*	15,811	8,774
Prepaid expenses	30,987	44,462
	200,225	200,716
Investments	40,598	40,204
Fixed Assets *(note 10)*	745,930	622,395
Patents, amortized	–	309
Deferred charges, amortized *(note 11)*	3,078	5,434
	989,831	869,058
LIABILITIES		
Current		
Bank loans *(note 12)*	519,176	386,563
Prizes payable	53,817	51,018
Accounts payable and accrued liabilities *(note 13)*	143,389	185,794
Provisions related to prizes *(note 14)*	18,574	37,561
Deferred income	20,140	15,156
	755,096	676,092
SHAREHOLDER'S EQUITY		
Capital-stock authorized, issued and fully paid:		
1,700 shares with a par value of $100 each	170	170
Retained Earnings	234,565	192,796
	234,735	192,966
	989,831	869,058

Commitments *(note 15)*

On Behalf of the Board of Directors

ROBERT CRÉVIER, C.A.
Chairman of the Board

JOSEPH DESARDOUIN
Member of the Board

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2003
(in thousands of dollars)

	2003	2002
Operating Activities		
Net income	1,446,074	1,448,479
Items not affecting cash flows:		
Depreciation of fixed assets	77,440	76,045
Amortization of patents	309	308
Amortization of deferred charges	2,359	1,333
Net contribution to the Manoir Richelieu LP	4,227	4,740
Share of the earnings of Nter Technologies LP	(520)	(1,610)
Changes in assets and liabilities related to operations *(note 16)*	(24,235)	5,567
Operating activity cash flows	1,505,654	1,534,862
Financing Activities		
Dividends paid	(1,367,000)	(1,374,500)
Bank loans	132,613	154,538
Contributions to the Québec Government	(78,531)	(79,416)
Fonds d'aide à l'action communautaire autonome	(14,575)	(14,531)
Fonds d'aide à l'action humanitaire internationale	(2,915)	(2,906)
Financing activity cash flows	(1,330,408)	(1,316,815)
Investment Activities		
Acquisition of fixed assets	(189,737)	(159,474)
Deposits for the acquisition of fixed assets	17,055	(24,963)
Acquisition of investments	36	(4,933)
Distribution to the Manoir Richelieu LP	(5,144)	(4,897)
Distribution of the Manoir Richelieu LP	487	35
Acquisition of deferred charges	(3)	(5,116)
Investment activity cash flows	(177,306)	(199,348)
Net Variation in Cash and Cash Equivalents	(2,060)	18,699
Cash and Cash Equivalents at Start of Year	79,813	61,114
Cash and Cash Equivalents at End of Year *(note 16)*	77,753	79,813

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2003

1. AUTHORITY AND OBJECTIVES

The Société des loteries du Québec (the Corporation), also designated as Loto-Québec, is a joint-stock corporation whose shares form part of the public domain and are allotted to the Minister of Finance. Under its act of incorporation (R.S.Q., Chapter S-13.1), its functions are to conduct and administer lottery schemes and to operate businesses which are incidental to the operation of a State casino. It may also offer, for consideration, consulting and implementation services in matters within its competence. By virtue of the *Income Tax Act* (L.R.C. (1985), ch. 1 (5th supplement)) and the *Taxation Act* (L.R.Q., c. I -3), the Corporation is exempt from paying income tax.

2. ACCOUNTING POLICIES

The consolidated financial statements of Loto-Québec have been prepared by management in accordance with Canadian generally accepted accounting practices. These statements comprise amounts based on best judgement and estimates.

Consolidation

The consolidated financial statements include the accounts of Loto-Québec and its wholly owned subsidiaries:

- Lotim inc.
- La Société des casinos du Québec inc.
- Casiloc inc.
- La Société des loteries vidéo du Québec inc.
- Resto-Casino inc.
- Ingenio, filiale de Loto-Québec inc.
- La Société des bingos du Québec inc.
- World Gaming Consultants, inc.
- 9059-3849 Québec inc.
- Casino Mundial inc.

The investments in the Manoir Richelieu Limited Partnership and Nter Technologies Limited Partnership are entered at their consolidated value.

Revenue

Lotteries

Gross revenue from the sale of lottery tickets and bingo cards is recorded on the date of the draw, with the exception of revenue from instant lottery ticket sales, which is entered at the time of sale.

With the exception of instant lotteries, lottery tickets sold as at March 31 for draws subsequent to that date are treated as deferred income. Discounts to retailers on these sales are carried as prepaid expenses.

Casinos and Video Lotteries

Revenue from the operation of these activity sectors corresponds to the difference between wagers and prizes awarded.

Multimedia

Revenues represent royalties based on a certain percentage of the total of the CD-ROM/lottery ticket retail price. These revenues are recorded when the printer delivers the CD-ROM/lottery tickets to the lottery corporations.

Cost of Sales

Lotteries and Bingo

Prizes awarded from ticket sales for bingo and certain lottery products are based on a theoretical sales rate.

In addition to lottery prizes in cash or merchandise, Loto-Québec also awards free tickets. The value ascribed to these prizes is equal to the selling price and is included with sales as revenue and with prizes as expenditure.

2. ACCOUNTING POLICIES (CONTINUED)

Casinos
Promotional rebates represent the cash amounts issued to Casino patrons.

Pension Plans
Defined contribution plan accounting is applied to inter-company governmental defined benefit plans, given that Loto-Québec does not have adequate information to apply defined benefit plan accounting practices.

Inventory
Video Lotteries
Inventories are valued at the lower of average cost and replacement value.

Restaurants
Inventories are valued at the lower of cost and net realizable value or replacement value. The cost is estimated as follows:

Food and beverages: average cost
Kitchen equipment: base stock

Fixed Assets
Fixed assets are presented at acquisition cost and, with the exception of works of art, are depreciated according to their estimated useful life using the straight-line method based on the following annual rates:

	Method	Duration
Buildings	Straight-line compound interest at 5%	2% to 6 $^{2}/_{3}$% 40 years
Parking lot landscaping	Straight-line compound interest at 5%	6 $^{2}/_{3}$% 40 years
Rented parking lot landscaping	Straight-line	2.86% and 6 $^{2}/_{3}$%
Interior design	Straight-line compound interest at 5%	10% and 14.29% 40 years
Exterior landscaping	Straight-line compound interest at 5%	10% and 14.29% 40 years
Leasehold improvements	Straight-line	10% to 20%
Office furniture	Straight-line	10% and 20%
Rolling stock	Straight-line	5% and 30%
Equipment	Straight-line	10% to 50%

Patents
Patents are presented at cost and are amortized using the straight-line method over a three-year period.

Deferred Charges
Deferred charges correspond to the cost of the Pont des Îles, a property of the City of Montréal but paid by a subsidiary of Loto-Québec. These charges are depreciated using the straight-line method at an annual rate of 10%.

The start-up costs related to the Resort Complex and the expansion of the Casino du Lac-Leamy are amortized using the straight-line method over a period of three years.

NOTES TO FINANCIAL STATEMENTS

Financial Instruments

The fair value of short-term financial instruments is equal to the book value due to their close maturity date.

Cash and Cash Equivalents

The Corporation's policy is to present, within cash and cash equivalents, the Casinos' cash on hand, bank balances, and temporary investments easily convertible in the short-term into a specified amount of cash whose value is not likely to change significantly.

3. COST OF SALES

(in thousands of dollars)	2003	2002
Lotteries		
Prizes awarded	953,225	926,308
Commissions to retailers	125,858	123,205
Printing of tickets	33,329	35,031
	1,112,412	1,084,544
Casinos, Restaurants, Lodging		
Promotional allowances	18,737	13,721
Restaurants	26,577	21,859
	45,314	35,580
Video Lotteries		
Commissions to retailers	280,007	281,136
Printing	1,110	770
	281,117	281,906
Bingo		
Prizes awarded	17,036	17,962
Commissions to hall operators	2,112	2,208
Printing of cards	663	439
	19,811	20,609
	1,458,654	1,422,639

4. INTEREST-NET

(in thousands of dollars)	2003	2002
Interest on bank loans	8,652	8,313
Interest on term deposits	(796)	(1,289)
	7,856	7,024

5. SPECIAL PAYMENTS

(in thousands of dollars)	2003	2002
Compensation to the Government of Canada	14,000	13,690
Net contribution to the Manoir Richelieu LP	4,227	4,740
Share of the results of Nter Technologies LP	(520)	(1,610)
Special commissions to non-profit organizations (NPOs)	807	718
Compensation to participating NPOs	7,519	7,895
Compensation to non-participating NPOs	840	888
	26,873	26,321

5. SPECIAL PAYMENTS (CONTINUED)

Compensation to the Government of Canada

Under an agreement reached between the provincial governments and the Government of Canada concerning its withdrawal from the administration of lotteries, the provinces pay the federal government the equivalent of $24 million (in 1979 dollars) every year. For the year ended March 31, 2003, this amount equalled $57.8 million (2002: $56.6 million).

The Québec Government's share is payable by the Corporation in accordance with an agreement between the provinces and regional lottery corporations.

Net Contribution to the Manoir Richelieu Limited Partnership

Under the terms of the guarantee agreement and in accordance with the distribution methods specified in the partnership agreement, the net contribution represents the minimum share of liquidities generated by the operations of the Casino de Charlevoix that is to be paid to the partners, taking into account Loto-Québec's share in the results generated by the Manoir Richelieu.

Special Commissions to Non-Profit Organizations (NPOs)

Further to a decision by the shareholder, a commission equal to the discount allotted to retailers is paid to non-profit organizations selling lottery tickets through the *Lotomatique* subscription system.

Compensation to Non-Profit Organizations (NPOs)

Participating NPOs

La Société des bingos du Québec inc. allots charitable or religious organizations that hold a bingo licence an amount equal to the higher of 36.4% of bingo ticket sales less the value of prizes paid to game winners, or 50% of net income generated by bingo games, not counting compensation to non-participating NPOs.

Non-Participating NPOs

La Société des bingos du Québec inc. allots an amount equal to 5.45% of total ticket sales of the *Le Grand Tour* game (less the value of prizes awarded to winners of this game) to charitable or religious organizations that hold a bingo licence but do not participate in the Corporation's bingo games.

6. FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME ET À L'ACTION HUMANITAIRE INTERNATIONALE

Under its act of incorporation, each year the Corporation pays into the Fonds d'aide à l'action communautaire autonome and Fonds d'aide à l'action humanitaire internationale (dedicated to supporting independent community and international humanitarian action) sums equivalent to 5% and 1% respectively of net income earned during the previous fiscal year through the operation of the State-run casinos and the businesses which are incidental to them.

7. CONTRIBUTIONS TO THE QUÉBEC GOVERNMENT

(in thousands of dollars)	2003	2002
Ministère des Finances [1]	20,265	23,691
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)	5,250	5,000
Ministère de la Santé et des Services sociaux	47,000	48,000
Ministère de la Sécurité publique	3,000	2,000
Ministère des Affaires municipales	300	400
	75,815	79,091

(1) Of this amount, with the authorization of the Government, the Corporation contributed a total of $11.5 million (2002: $12.4 million) to the Société nationale du cheval de course (SONACC) to enable the organization to increase the funds for its regular racing programs and special events during fiscal 2002-2003.

NOTES TO FINANCIAL STATEMENTS

8. ACCOUNTS RECEIVABLE

(in thousands of dollars)

	2003	2002
Wholesalers	25,805	32,119
Retailers	27,440	24,612
Miscellaneous	22,429	10,936
	75,674	67,667

9. INVENTORY

(in thousands of dollars)

	2003	2002
Video Lotteries		
Video lottery terminals	7,133	1,080
Restaurants		
Food and beverages	5,314	4,344
Hotel and kitchen equipment	3,364	3,350
	8,678	7,694
	15,811	8,774

10. FIXED ASSETS

(in thousands of dollars)

	2003			2002
	Cost	Accumulated Depreciation	Net	Net
Land	32,105	–	32,105	32,105
Buildings	284,553	63,297	221,256	230,138
Parking lot landscaping	126,012	42,727	83,285	60,274
Rented parking lot landscaping	5,271	1,944	3,327	3,624
Interior design	171,623	71,568	100,055	111,009
Landscaping	29,871	14,702	15,169	17,899
Leasehold improvements	32,388	18,011	14,377	17,117
Office equipment and rolling stock	29,356	14,213	15,143	15,345
Equipment	595,078	337,719	257,359	129,322
Works of art	3,854	–	3,854	3,490
Construction in progress	–	–	–	2,072
	1,310,111	564,181	745,930	622,395

11. DEFERRED CHARGES AMORTIZED

(in thousands of dollars)

	2003	2002
Start-up costs	3,078	5,126
Pont des Îles	–	308
	3,078	5,434

NOTES TO FINANCIAL STATEMENTS

12. BANK LOANS

Demand bank loans are authorized by the Québec Government for a maximum amount of $700 million (2002: $400 million) and bear interest at market rates.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)	2003	2002
Suppliers and accrued liabilities	135,544	113,035
Dividends	–	56,000
Manoir Richelieu LP	4,239	4,759
Nter Technologies LP	2,816	6,777
Québec Sales Tax	512	2,939
Goods and Services Tax	278	2,284
	143,389	185,794

14. PROVISIONS RELATED TO PRIZES

(in thousands of dollars)	2003	2002
Provision for unclaimed prizes	7,243	7,202
Provision for prize structure variances	11,331	30,359
	18,574	37,561

The provision for unclaimed prizes is made up of unclaimed prizes from all Loto-Québec products, excluding Canada-wide games. This amount is used for payment of bonus and retailer prizes.

The provision for prize structure variances in bingo and certain lottery products is made up of all differences between the theoretical amount of prizes to be awarded under the prize structure and the actual amount payable. Monies from this provision are used principally to offset occasional shortfalls arising from prize structures that exceed the forecast amount. With the approval of the Board of Directors, this provision may also be used for bonus prizes or for discharging any claims associated with the games, or it may be included in the results.

15. COMMITMENTS

Leases

Under an agreement expiring in June 2003, the Corporation is committed to paying a minimum of $2.4 million in total for the rental of the premises occupied by its head office in a building held in joint tenancy with SITQ National Inc., representing a consolidated commitment of $1.2 million. In addition, the Corporation is committed under long-term leases expiring on various dates up until 2035 to renting space for administrative offices. In certain cases, these leases have a two- to five-year renewal option.

15. COMMITMENTS (CONTINUED)

The minimum monthly rental payments (in thousands of dollars) are as follows:

2004	12,661
2005	9,974
2006	7,536
2007	6,911
2008	6,082
2009 and subsequent	18,421
	61,585

Video Lotteries

In December 1997, the Québec Government authorized a subsidiary of Loto-Québec to acquire a central system including site controllers for an amount not exceeding $20 million, of which $13.7 million was accounted for as at March 31, 2003 (2002: $6 million). At that date, commitments related to this project totalled $5.5 million (2002: $13.3 million).

In August 1999, the Québec Government authorized that same subsidiary to acquire bar code scanners for the operation of video lottery systems for an amount not exceeding $7 million, of which $3.6 million was accounted for as at March 31, 2003 (2002: $0.1 million). At that date, contractual commitments related to this project totalled $0.7 million (2002: $2.6 million).

In addition, the Québec Government authorized the Corporation to acquire video lottery terminals for an amount not to exceed $201 million, of which $133.8 million was accounted for as at March 31, 2003 (2002: $24.8 million). At that date, contractual commitments related to this project totalled $63 million (2002: $163.6 million).

Contributions to the Government of Québec

Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)

In view of the decision to terminate the activities of fairground casinos, the Government authorized Loto-Québec to give its commitment to the MAPAQ to pay an annual sum of $5.5 million into a designated fund for five years, starting in the 2003 calendar year (since the 1998 calendar year: $5 million per year). Upon expiry, the agreement will be renewable by mutual consent of the parties.

Ministère de la Santé et des Services sociaux

With the authorization of the Québec Government, the Corporation has given its commitment to the Ministère de la Santé et des Services sociaux to pay a total of $17 million annually (2002: $18 million) into a designated fund to finance prevention activities, treatment services, research programs, and information campaigns to help compulsive gamblers.

Moreover, the Corporation has also given its commitment to the Ministère to pay $30 million annually into another designated fund to finance support and assistance services for seniors with restricted mobility living at home or at residential centres. The Corporation is unable to assess the total amount of these commitments at this time.

Ministère de la Sécurité publique

With the authorization of the Québec Government, the Corporation has given its commitment to the Ministère de la Sécurité publique to pay an annual sum of $3 million (2002: $2 million) into a designated fund to finance a series of rigorous control activities and measures to be implemented by the Régie des alcools, des courses et des jeux related, in particular, to overseeing access to video lottery terminals. The Corporation is unable to assess the total amount of this commitment at this time.

NOTES TO FINANCIAL STATEMENTS

16. CONSOLIDATED CASH FLOWS

(in thousands of dollars)	2003	2002
Cash and Cash Equivalents		
Cash on hand – Casinos	46,854	42,328
Cash on hand	15,943	37,485
Temporary investment, at cost	14,956	–
	77,753	79,813
Changes to Assets and Liabilities Related to Operations		
Accounts receivable	(8,007)	(265)
Inventory	(7,037)	172
Prepaid expenses	(3,580)	(3,481)
Prizes payable	2,799	2,793
Accounts payable and accrued liabilities	5,593	1,956
Provisions related to prizes	(18,987)	3,804
Deferred income	4,984	588
	(24,235)	5,567
Supplementary Information		
Interest paid	10,694	5,915
Prepaid expenses transferred to fixed assets	17,055	140

17. PENSION PLANS

Employees of the parent corporation, La Société des loteries vidéo du Québec inc., La Société des bingos du Québec inc., and Ingenio, filiale de Loto-Québec inc. participate in the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP) and the Régime de retraite des fonctionnaires (RRF). These are benefit-based pension plans and contain guarantees upon retirement or death. Contributions charged to consolidated earnings for the fiscal year for these plans total $1.8 million (2002: $1.4 million). The employer's obligations towards these Government plans are limited to its contributions as an employer.

La Société des casinos du Québec inc. and Resto-Casino inc. offer their employees a defined contribution plan, paying an amount equal to the employee's contribution, up to 5% of the annual base salary. The employer's contribution is vested to the employee upon payment. Contributions charged to consolidated earnings for the fiscal year under this plan total $8.1 million (2002: $7.9 million).

18. RELATED PARTY TRANSACTIONS

Over the course of the fiscal year, the Corporation engaged the consulting and management services of a limited partnership company for a total of $36 million (2002: $32.6 million).

In addition to the related party transactions already outlined and accounted for, Loto-Québec is related to all Québec Government departments and special funds, as well as all agencies and enterprises controlled directly or indirectly by the Government, or subject either to joint control or to significant mutual influence on the part of the Government. The Corporation has not concluded any business transaction with these related parties other than within the normal course of its activities and on regular business terms. These transactions are not disclosed separately in the financial statements.

19. COMPARATIVE FIGURES

Certain totals posted for the year 2002 have been reclassified in order to conform to the presentation adopted in 2003.

20. SEGMENTED INFORMATION

(in thousands of dollars)

2003

Activity Sectors	Lotteries	Casinos Restaurants Lodging	Video Lotteries	Bingo	Multimedia	Corporate	Inter-Company Elimination	Consolidated Figures
Revenue								
Games	1,834,423	747,463	1,076,943	37,605	927	–	(504)	3,696,857
Restaurants	–	80,714	–	–	–	–	(40,662)	40,052
Lodging	–	12,501	–	–	–	–	–	12,501
	1,834,423	840,678	1,076,943	37,605	927	–	(41,166)	3,749,410
Cost of Sales								
Games	1,112,916	18,737	281,117	19,811	–	–	(504)	1,432,077
Restaurants	–	26,577	–	–	–	–	–	26,577
	1,112,916	45,314	281,117	19,811	–	–	(504)	1,458,654
Gross Profit	721,507	795,364	795,826	17,794	927	–	(40,662)	2,290,756
Operating Expenses								
Operating expenditures (1) (2)	131,949	439,618	40,350	5,416	5,133	36,345	(40,662)	618,149
Depreciation of fixed assets	18,271	45,582	2,600	510	129	10,348	–	77,440
Amortization of patents	–	–	–	–	309	–	–	309
Amortization of deferred charges	–	2,359	–	–	–	–	–	2,359
Interest – net	–	(625)	(40)	(9)	(8)	8,538	–	7,856
	150,220	486,934	42,910	5,917	5,563	55,231	(40,662)	706,113
Income (Loss) Before the Following Items	571,287	308,430	752,916	11,877	(4,636)	(55,231)	–	1,584,643
Special payments (1)	14,807	4,227	–	8,359	–	(520)	–	26,873
Goods and Services Tax (1)	18,371	10,654	21,950	452	–	666	–	52,093
Québec Sales Tax (1)	20,944	12,214	25,164	518	–	763	–	59,603
	54,122	27,095	47,114	9,329	–	909	–	138,569
Net Income (Loss)	517,165	281,335	705,802	2,548	(4,636)	(56,140)	–	1,446,074

(1) Indirect costs were paid by the corporate sector and are charged back to other activity sectors in accordance with the extent of their use. An amount of $20 million was charged towards the lottery sector's results, an amount of $53.8 million towards the casino sector's results, an amount of $49.6 million to those of the video lotters sector, and $2.1 million to the bingo sector.

(2) The support offered to participating NPOs was increased through the payment of a subsidy equivalent to the bingo sector's net income. A total of $2.5 million was charged back to the corporate sector.

20. SEGMENTED INFORMATION (CONTINUED)

(in thousands of dollars)

2002

Activity Sectors	Lotteries	Casinos Restaurants Lodging	Video Lotteries	Bingo	Multimedia	Corporate	Inter-Company Elimination	Consolidated Figures
Revenue								
Games	1,793,297	727,037	1,067,506	39,647	917	–	(551)	3,627,853
Restaurants	–	68,877	–	–	–	–	(38,195)	30,682
Lodging	–	3,251	–	–	–	–	–	3,251
	1,793,297	799,165	1,067,506	39,647	917	–	(38,746)	3,661,786
Cost of Sales								
Games	1,085,095	13,721	281,906	20,609	–	–	(551)	1,400,780
Restaurants	–	21,859	–	–	–	–	–	21,859
	1,085,095	35,580	281,906	20,609	–	–	(551)	1,422,639
Gross Profit	708,202	763,585	785,600	19,038	917	–	(38,195)	2,239,147
Operating Expenses								
Operating expenditures[1]	124,228	391,827	39,790	5,205	7,061	40,278	(38,195)	570,194
Depreciation of fixed assets	18,123	43,759	6,213	216	166	7,568	–	76,045
Amortization of patents	–	–	–	–	308	–	–	308
Amortization of deferred charges	–	1,333	–	–	–	–	–	1,333
Interest – net	–	(887)	(64)	(11)	(12)	7,998	–	7,024
	142,351	436,032	45,939	5,410	7,523	55,844	(38,195)	654,904
Income (Loss) Before the Following Items	565,851	327,553	739,661	13,628	(6,606)	(55,844)	–	1,584,243
Special payments[1]	14,408	4,740	–	8,783	–	(1,610)	–	26,321
Goods and Services Tax[1]	17,589	9,298	22,341	432	–	1,256	–	50,916
Québec Sales Tax[1]	20,321	10,658	25,613	495	–	1,440	–	58,527
	52,318	24,696	47,954	9,710	–	1,086	–	135,764
Net Income (Loss)	513,533	302,857	691,707	3,918	(6,606)	(56,930)	–	1,448,479

(1) Indirect costs were paid by the corporate sector and are charged back to other activity sectors in accordance with the extent of their use. An amount of $17.7 million was charged towards the lottery sector's results, an amount of $43.4 million towards the casino sector's results, an amount of $49.7 million to those of the video lottery sector, and $2.1 million to the bingo sector.

COMPARATIVE RESULTS

AS AT MARCH 31

(in thousands of dollars)

	2003	2002	2001	2000	1999
Consolidated Results					
Revenue	3,749,410	3,661,786	3,643,212	3,444,225	3,130,279
Cost of Sales					
Lotteries					
Prizes awarded	953,225	926,308	952,674	913,752	859,155
Commissions to retailers	125,858	123,205	124,705	121,286	114,015
Printing of tickets	33,329	35,031	35,048	30,115	25 217
Lotteries Subtotal	1,112,412	1,084,544	1,112,427	1,065,153	998 387
Casinos	18,737	13,721	12,720	1,177	
Restaurants	26,577	21,859	20,177	20,303	16 944
Video Lotteries					
Commissions to retailers	280,007	281,136	315,915	278,522	230 388
Printing	1,110	770	757	703	646
Video Lotteries Subtotal	281,117	281,906	316,672	279,225	231,034
Bingo					
Prizes awarded	17,036	17,962	18,600	18,265	18,572
Commissions to hall operators	2,112	2,208	2,272	2,220	2,256
Printing of cards	663	439	310	402	444
Bingo Subtotal	19,811	20,609	21,182	20,887	21,272
Total	1,458,654	1,422,639	1,483,178	1,386,745	1,267,637
Gross Profit	2,290,756	2,239,147	2,160,034	2,057,480	1,862,642
Operating Expenses					
Lotteries	131,949	124,228	122,689	162,957	137,742
Casinos/Restaurants/Lodging	398,956	353,632	318,788	317,694	283,841
Video Lotteries	40,350	39,790	35,644	36,776	30,242
Bingo	5,416	5,205	5,211	5,299	4,934
Multimedia	5,133	7,061	6,680	4,488	
Corporate*	36,345	40,278	38,730		
Depreciation of fixed assets	77,440	76,045	77,721	68,044	74,451
Amortization of patents	309	308	309		
Amortization of deferred charges	2,359	1,333	308	308	4,386
Interest – net	7,856	7,024	7,149	5,863	4,796
	706,113	654,904	613,229	601,429	540,392
Income Before the Following Items	1,584,643	1,584,243	1,546,805	1,456,051	1,322,250
Special payments	26,873	26,321	28,871	25,792	25,296
Goods and Services Tax	52,093	50,916	53,136	48,638	44,139
Québec Sales Tax	59,603	58,527	61,040	55,830	50,812
	138,569	135,764	143,047	130,260	120,247
Net Income	1,446,074	1,448,479	1,403,758	1,325,791	1,202,003

** Prior to 2000-2001, the corporate sector was grouped with the lotteries sector.*

SENIOR MANAGEMENT

Board of Directors

Robert Crevier, CA, Montréal. Acting Chairman of the Board, President and Chief Executive Officer, Loto-Québec

Lynne Roiter, LL.L., Westmount. Corporate Secretary, Vice-President, Legal Affairs

Roger Blais, Ing., Gatineau. Engineer, Physical Engineering

Joseph Benarrosh, Montréal. President, JJDS Capital Inc.

Christiane Bois, Québec City

Senior Management

Robert Crevier, CA, Acting President and Chief Executive Officer

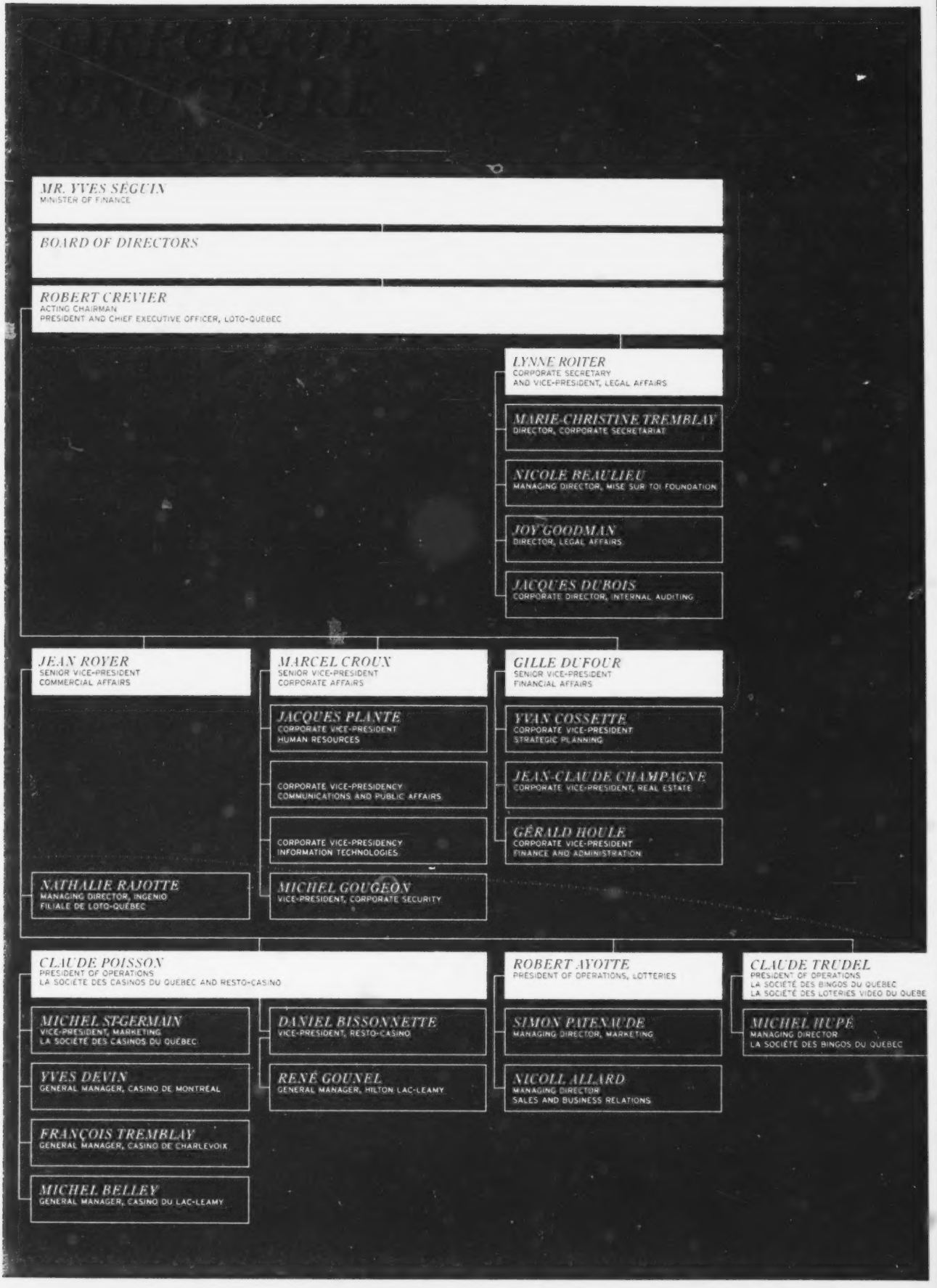
Lynne Roiter, Corporate Secretary, Vice-President, Legal Affairs

Marcel Croux, Senior Vice-President, Corporate Affairs

Jean Royer, Senior Vice-President, Commercial Affairs

Gille Dufour, Senior Vice-President, Financial Affairs

From left to right: Mr. Joseph Benarrosh, Ms. Christiane Bois, Mr. Roger Blais, Mr. Robert Crevier, Mr. Gille Dufour, Mrs. Lynne Roiter, Mr. Jean Royer, Mr. Marcel Croux


MR. YVES SÉGUIN
MINISTER OF FINANCE
BOARD OF DIRECTORS
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ACTING CHAIRMAN
PRESIDENT AND CHIEF EXECUTIVE OFFICER, LOTO-QUÉBEC
LYNNE ROITER
CORPORATE SECRETARY
AND VICE-PRESIDENT, LEGAL AFFAIRS
MARIE-CHRISTINE TREMBLAY
DIRECTOR, CORPORATE SECRETARIAT
NICOLE BEAULIEU
MANAGING DIRECTOR, MISE SUR TOI FOUNDATION
JOY GOODMAN
DIRECTOR, LEGAL AFFAIRS
JACQUES DUBOIS
CORPORATE DIRECTOR, INTERNAL AUDITING
JEAN ROYER
SENIOR VICE-PRESIDENT
COMMERCIAL AFFAIRS
MARCEL CROUX
SENIOR VICE-PRESIDENT
CORPORATE AFFAIRS
GILLE DUFOUR
SENIOR VICE-PRESIDENT
FINANCIAL AFFAIRS
JACQUES PLANTE
CORPORATE VICE-PRESIDENT
HUMAN RESOURCES
YVAN COSSETTE
CORPORATE VICE-PRESIDENT
STRATEGIC PLANNING
CORPORATE VICE-PRESIDENCY
COMMUNICATIONS AND PUBLIC AFFAIRS
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CORPORATE VICE-PRESIDENCY
INFORMATION TECHNOLOGIES
GÉRALD HOULE
CORPORATE VICE-PRESIDENT
FINANCE AND ADMINISTRATION
NATHALIE RAJOTTE
MANAGING DIRECTOR, INGENIO
FILIALE DE LOTO-QUÉBEC
MICHEL GOUGEON
VICE-PRESIDENT, CORPORATE SECURITY
CLAUDE POISSON
PRESIDENT OF OPERATIONS
LA SOCIÉTÉ DES CASINOS DU QUÉBEC AND RESTO-CASINO
ROBERT AYOTTE
PRESIDENT OF OPERATIONS, LOTTERIES
CLAUDE TRUDEL
PRESIDENT OF OPERATIONS
LA SOCIÉTÉ DES BINGOS DU QUÉBEC
LA SOCIÉTÉ DES LOTERIES VIDÉO DU QUÉBE
MICHEL ST-GERMAIN
VICE-PRESIDENT, MARKETING
LA SOCIÉTÉ DES CASINOS DU QUÉBEC
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VICE-PRESIDENT, RESTO-CASINO
SIMON PAPENAUDE
MANAGING DIRECTOR, MARKETING
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MANAGING DIRECTOR
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RENÉ GOUNEL
GENERAL MANAGER, HILTON LAC-LEAMY
NICOLL ALLARD
MANAGING DIRECTOR
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FRANÇOIS TREMBLAY
GENERAL MANAGER, CASINO DE CHARLEVOIX
MICHEL BELLEY
GENERAL MANAGER, CASINO DU LAC-LEAMY

SENIOR MANAGEMENT

Board of Directors

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President and Chief Executive Officer, Loto-Québec
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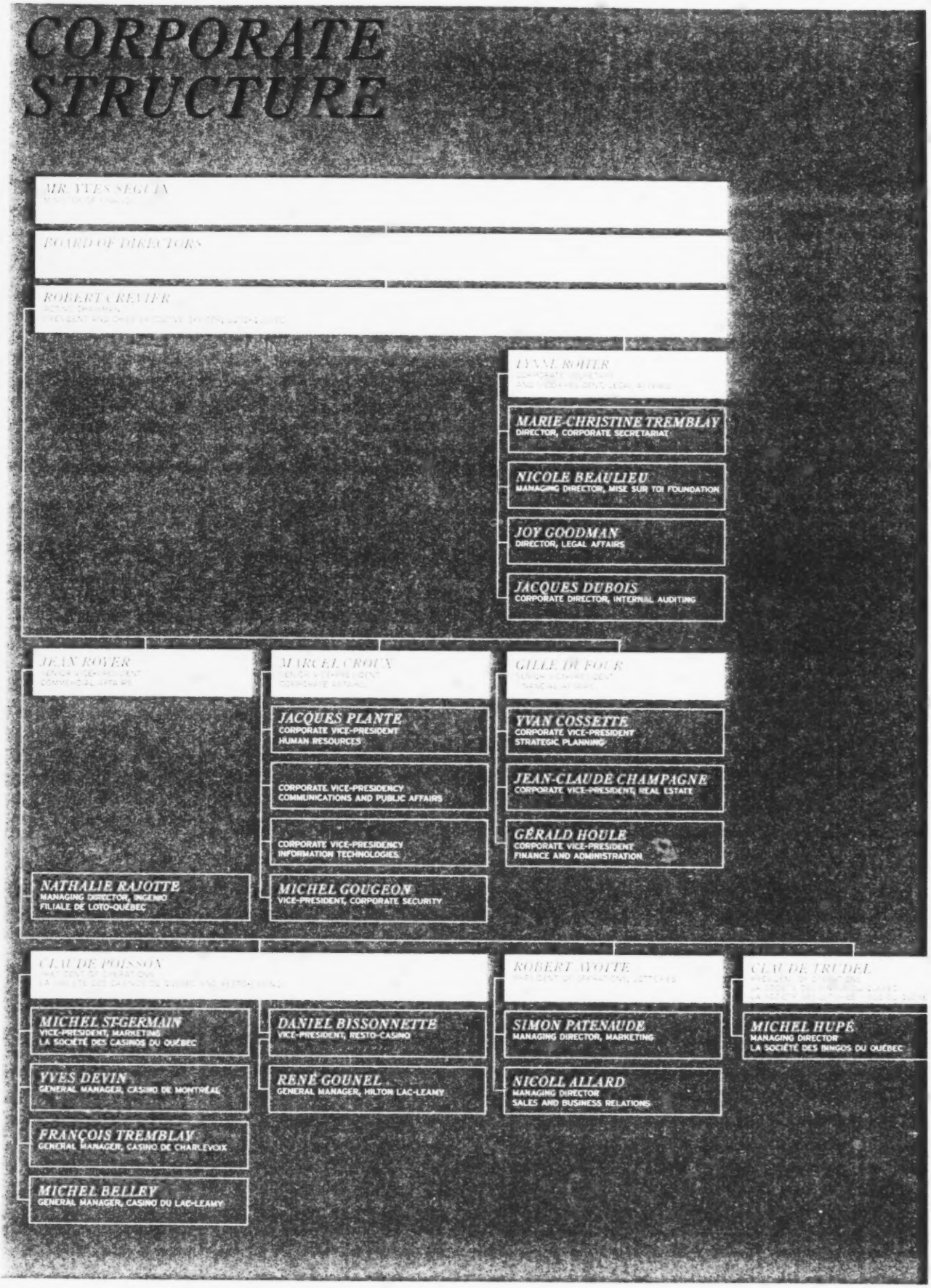
Marcel Croux, Senior Vice President, Corporate Affairs
Jean Royer, Senior Vice President, Commercial Affairs
Gille Dufour, Senior Vice President, Financial Affairs

From left to right: Mr. Joseph Benarrosh, Ms. Christiane Bois, Mr. Roger Blais, Mr. Robert Crevier, Mr. Gille Dufour, Ms. Lynne Roiter, Mr. Jean Royer, Mr. Marcel Croux

CORPORATE STRUCTURE



CODE OF ETHICS AND RULES OF PROFESSIONAL CONDUCT

In conformity with the *Regulation Respecting the Ethics and Professional Conduct of Public Office Holders*, the members of Loto-Québec's Board of Directors have established a specific Code of Ethics and Rules of Professional Conduct.

The values contained in the Corporation's Code of Ethics and Rules of Professional Conduct, notably integrity, loyalty and transparency, are values which Loto-Québec has always emphasized and which all senior executives of the Corporation are required to respect. The principles of the Code have been fully adhered to by all those to whom it applies.

1. DEFINITIONS

1. In this Code, unless the specific context indicates otherwise:

a) "director" designates a member of the Board of Directors of Loto-Québec or any of its subsidiaries, whether or not working full-time within the Corporation or one of its subsidiaries

b) "Board" designates the Board of Directors of Loto-Québec or any of its subsidiaries

c) "executive" designates any contractual manager whose employment conditions are subject to the approval of the Board

d) "enterprise" designates any form that can be taken by an organization for the production of goods or services or the conducting of any other business of a commercial, industrial or financial nature, or any group seeking to promote certain values, interests or opinions or to exercise an influence on public officials; however, this does not include the Corporation or a non-profit association or group that has no financial link with the Corporation or is not incompatible with the objects of the Corporation

e) "subsidiary" designates a company wholly-owned by Loto-Québec

f) "Act" designates the legislation constituting the Société des loteries du Québec (L.R.Q.c. S-13.1), as amended from time to time

g) "Chairman of the Board" designates the President and Chief Executive Officer of Loto-Québec

h) "Corporation" designates Loto-Québec

2. ETHICAL PRINCIPLES AND GENERAL RULES OF PROFESSIONAL CONDUCT

2.1 This Code applies to the directors and executives of the Corporation and its subsidiaries, who are bound to comply with its provisions.

2.2 A director or executive is appointed to contribute to the achievement of the Corporation's mission in the best interests of Québec. Accordingly, he is expected to use his knowledge, abilities, experience and integrity in a way that will promote the fair and efficient accomplishment of the objectives assigned to the Corporation by the Act and the effective administration of the property it owns as mandatary of the State.

2.3 In the course of performing his duties, a director or executive shall comply with the Corporation's mission and the following objectives:

- Social role: by expanding the ways of sharing the fruit of its operations with the various communities and regions and increasing its activities in the prevention of compulsive gambling
- Integrity and credibility: by demonstrating steadfast vigilance to ensure the integrity, transparency and credibility of the Corporation's activities
- Expansion: by developing new markets through associations and partnerships which will allow the Corporation to considerably enhance the traditional lottery games, casinos and video lotteries it offers
- Competence and expertise: by promoting the development of the skills essential to the Corporation and establishing programs that ensure respect for human resources
- Performance: by offering the best possible entertainment products and services in the lottery, casino, video lottery and bingo sectors, and by increasing the public funds entrusted to it

2.4 A director or executive who, at the request of Loto-Québec or any of its subsidiaries, serves as director, executive or member of another undertaking or company is held to the same standards and obligations.

2.5 In the performance of his duties, a director or executive shall seek to satisfy only the interests of the Corporation, to the exclusion of his own interests or those of others.

2.6 In the performance of his duties, a director is required to comply with the ethical principles and rules of professional conduct prescribed by the *Regulation Respecting the Ethics and Professional Conduct of Public Office Holders* to the extent that they are applicable to him.

3. DUTIES AND OBLIGATIONS OF DIRECTORS AND EXECUTIVES WITH RESPECT TO CONFLICTS OF INTEREST

3.1 Prevention of conflicts of interest

3.1.1 A director or executive shall avoid placing himself into a situation in which his personal interest is in conflict with the duties of his position.

3.1.2 To be applicable under the terms of this Code, the interest held by a director or executive in another enterprise must be such that it is likely to conflict with the performance of his duties within the Corporation or any of its subsidiaries. A director or executive who has an interest in an enterprise is in a situation of "conflict of interest" in the following cases, among others:

- if Loto-Québec or any of its subsidiaries has or is likely to have a significant business relationship with the enterprise, that relationship being significant both for Loto-Québec and for the enterprise
- if the enterprise is a listed company and its business relationship with Loto-Québec or any of its subsidiaries is likely to have an effect on listed shares
- if the interest of the director or executive in the enterprise that has a business relationship with Loto-Québec or any of its subsidiaries is such that it may influence the enterprise's affairs
- if the enterprise has signed a contract with Loto-Québec or any of its subsidiaries and this contract is such that it has an impact on the enterprise's assets
- if the enterprise is awarded a contract for which the director or executive has been involved in the choice of supplier

3.1.3 A director or executive who is party to a contract with Loto-Québec or any of its subsidiaries other than his contract of engagement is also considered to be in conflict of interest.

3.2 Disclosure and abstention

3.2.1 A director or executive who:

a) has a direct or indirect interest in an enterprise that places him in a situation of conflict of interest under section 3.1.2 of this Code; or

b) is party to a contract with the Corporation or a subsidiary under section 3.1.3

shall disclose the nature and extent of his interest in writing to the Chairman of the Board. A director shall also abstain from deliberating or voting on any question linked to this interest and refrain from attempting to influence the related decision. He shall withdraw from the meeting while deliberations and voting on this question continue.

3.2.2 A director or executive shall make the disclosure required in section 3.2.1 as soon as he has knowledge that he is in a conflict of interest under sections 3.1.2 and 3.1.3. In the case of a director, this disclosure of interest shall be recorded in the minutes of the proceedings of the Board of Directors, of which he is a mer T.

3.2.3 A director or executive shall notify the Chairman of the Board in writing of any rights that he may invoke against the Corporation or any of its subsidiaries, indicating their nature and value, as soon as these rights come into existence or when he acquires knowledge of them.

3.2.4 A director or executive shall also submit an attestation in the form provided to the Chairman of the Board by June 1st of each year in which he remains in office.

3.2.5 The Chairman of the Board submits the attestations referred to by these sections to the Secretary of the Corporation, who keeps them at the disposal of the members of the Board and the executives. These attestations are treated as strictly confidential.

3.3 Waiver

3.3.1 This Code does not apply to:

a) owning securities when the size of the holding is not likely to place the director or executive into a conflict of interest

b) owning an interest by way of a mutual fund in whose management the director or executive plays no direct or indirect role

c) owning interests through a blind trust whose beneficiary may not know its make-up

d) owning a minimum number of shares required to be eligible as director of a corporation

e) an interest which, by its nature and extent, is common to the public at large or a particular sector in which the director or executive operates

f) a directors' liability insurance agreement

g) the owning of shares issued or guaranteed by a government or municipality under the same conditions for everyone

4. EFFECTIVE DATE

4.1 This Code takes effect September 1, 1999.

LANGUAGE POLICY

In accordance with Government guidelines on the use and quality of the French language in public administration, on November 24, 2000, the Corporation adopted a language policy that reflects its business mission and governs the use and quality of French in each of its activity sectors. During the past fiscal year, Loto-Québec has carefully ensured the consistent application of this policy throughout the organization and its subsidiaries.

POLICY FOR THE AWARDING OF CONTRACTS

In order to assure the integrity and transparency of its operations, Loto-Québec continues to scrupulously see to it that its policies for the awarding of contracts within all of its spheres of activity are strictly applied. In light of its ongoing development and the increasing diversification of its mandates, during the past fiscal year, the Corporation has implemented various systems designed to optimize its purchasing management processes in order to better meet the needs of its different activity sectors and their business realities.

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Pour obtenir la version française du rapport annuel, il suffit de s'adresser à :

LOTO-QUÉBEC
Communications
and Public Affairs
500 Sherbrooke Street West,
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PUBLICATION MANAGEMENT
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